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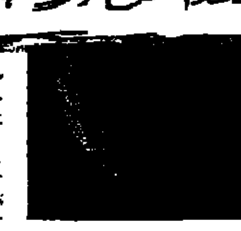
Repackaging the royals
Candidate Charles runs for office

Not fade away
Pop music stages market recovery

The numbers game
The agony of making investment decisions
Page 16



Crisis in Karachi
Tension heightens between India and Pakistan
Page 4

FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY DECEMBER 28 1994 — D8523A

ITT sells financial units for $3.7bn to fund expansion

US conglomerate ITT is selling two of its financial services businesses for $3.7bn to fund its expansion in the hotels, leisure and entertainment industries. ITT Commercial Finance is being bought by German banking group Deutsche Bank, and the consumer lending operation Island Finance by US banking group Norwest. ITT says it is near to completing the sale of another part of ITT Financial, including property services and small business finance, to an unnamed buyer *for $1.8bn. Page 15*

US negotiator heads for Pyongyang: A senior US state department official arrives in North Korea today to seek the release of the US army helicopter pilot downed over the North on December 17. Page 3

Taiwan bank to buy in California: Chinatrust Commercial Bank, controlled by Taiwan's Koo family, plans to buy a California bank as a first step to establishing a US banking network targeting Asian communities. Page 15

Time Warner in joint Japanese TV venture: US entertainment group Time Warner plans to form a joint venture with two Japanese companies and US regional telephone company US West to spend $400m on building cable television systems in Japan. Page 17

Japan's recovery confirmed: Japan's economic recovery was confirmed by statistics released by the government, although a fall in consumer prices reinforced predictions of a weak rebound. Page 4

UK business confidence slips: The "feel bad" factor among consumers that has been souring the UK economic recovery may now be spreading to the business community, a survey shows. Page 14

Zurich takes on Trygg's US lossmaker: Swedish insurer Trygg-Hansa announced the virtual takeover of its loss-making US associate Home Holdings by Switzerland's Zurich Insurance group. The deal supersedes a refinancing agreement for Home struck only three weeks ago with a group of US investors. Page 15

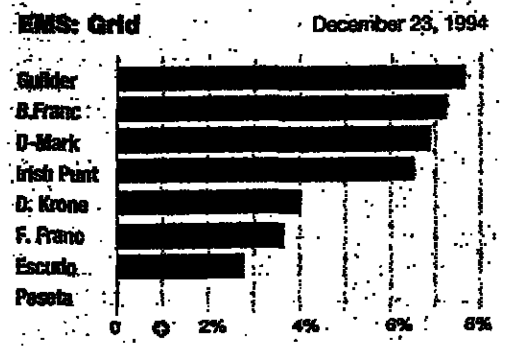
Cadillac Fairview gets court protection: Cadillac Fairview, Toronto-based property developer with debts of C$5.3bn, has obtained court protection from its creditors while it tries to stitch together a financial restructuring. Page 17

Mercedes-Benz to return to profit: Mercedes-Benz, the luxury car subsidiary of Germany's Daimler-Benz, will return to profit this year following losses of more than DM1.2bn ($760m) in 1993, chairman Helmut Werner said. Page 17

Companies provide £331m for Lloyd's: The extra £331m ($516m) in corporate capital Lloyd's of London has attracted for underwriting next year has come from almost 30 companies, the insurance market said. Page 16

European Monetary System: The pre-Christmas trading week saw the D-Mark climb above the Irish punt in the EMS grid. The French franc fell below the Danish krone as political uncertainty undermined the currency. The gap between strongest and weakest currencies widened noticeably as political worries in France, Spain and Italy (outside the grid) encouraged a move into safe-haven currencies. Currencies, Page 20

EMS: Grid December 23, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Gazprom lists western investors: Gazprom, the world's largest gas producer, and its merchant bank adviser, Kleinwort Benson, have drawn up a list of western industrial companies expected to take stakes in the Russian company's planned share offering in 1995. Page 15

Lord Archer hurt in car crash: Best-selling author and former UK Conservative party deputy chairman Lord Archer was slightly injured when *his car crashed on a motorway near London.*

Too many cooks: UK Ministry of Defence top brass were urged to tighten their belts after the disclosure that 114 officers are entitled to cooks' services which will cost £2.4m ($3.7m) this year. Page 6

STOCK MARKET INDICES

Tokyo Nikkei	19,711.36	(-15.39)
New York lunchtime:		
Dow Jones Ind Ave	3,864.72	(+31.29)
S&P Composite	462.87	(+2.84)

US LUNCHTIME RATES

Federal Funds:	5⅝%
3-mo Treas Bills: Yld	5.64%
Long Bond	96$\frac{1}{32}$
Yield	7.758%

GOLD

New York Comex (Feb)	$383.3	(382.3)

STERLING

New York lunchtime:	
$	1.546

DOLLAR

New York lunchtime:	
DM	1.576
FFr	5.442
SFr	1.3306
Y	100.425

Tokyo close Y 100.41

London markets closed

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$16	Morocco	MDh15	S.Arabia	SR11
Belgium	BF65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs60	Nigeria	Naira80	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pts226
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (mainland)		Turkey	L30000
Germany	DM3.60	Lux	LFr65		Es225	UAE	Dh12.00

Peso hits record low as government fails to act

By Ted Bardacke in Mexico City

Mexico's financial troubles deepened yesterday as the peso fell to record lows and the government seemed unable or unwilling to halt the slide.

The peso's sharp fall heightened concerns about the overall health of the Mexican economy, especially inflation, economic growth and the burden of rising interest payments on foreign debt.

The government has yet to explain how it intends to tackle these problems. The lack of a clear policy has been widely blamed for increasing foreign investors' worries about the Mexican market, and the resulting demand for dollars.

At midday, the peso was trading at 5.6 to the US dollar, 8.2 per cent lower than Monday's close. Since December 19, the peso has lost 38 per cent against the dollar.

President Ernesto Zedillo had been conspicuously absent in recent days, and there were reports that he had cancelled a planned address to the country yesterday as the currency continued to weaken.

Presidential aides said he was considering addressing the nation but would wait until he could outline a specific programme to deal with the crisis. That plan, say finance ministry officials, is still being developed, and the economic team is waiting for the peso to stabilise.

"This rate is not reflective of anything but uncertainty," said Mr Petru Vaduva, an analyst at Bear Stearns in New York. "No one is looking at parity or purchasing power or anything. The government has not given any strong indications of where it is going and people just want to get out of the market."

The main indicator of the Mexican stock market was down 0.46 per cent at midday yesterday. Leading Mexican stocks in New York, where they are valued in dollars, were also under pressure. Telmex was down 6.79 per cent at 37⅛, ICA fell 14.84 per cent at 16¼ and Televisa was off 9.58 per cent at 29½.

Investors seemed to be ignoring potentially good news from the southern state of Chiapas, where troops have been sent to counter rebel forces.

The federal government has accepted Bishop Samuel Ruiz of San Cristóbal de las Casas in Chiapas, as mediator, which was one of the rebels' conditions for the reopening of negotiations.

In the past few days there has been a lot of "decision and determination", Bishop Ruiz said. "It is our impression that there could soon be an accord to halt the current [troop] movements and to be able to begin to talk," he added.

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Peso's double whammy .... Page 15
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War to continue until rebels disarmed and leader ousted

Order will prevail in Chechnya, vows Yeltsin

By John Lloyd in Moscow

Russian President Boris Yeltsin promised a sceptical nation yesterday: "Order and peace will be restored in Chechnya." But he made clear that the two-week war would not be halted until all Chechen units were disarmed and the regime of General Dzhokar Dudayev, the region's leader, replaced.

In a 30-minute televised address, he softened the government's message by calling a halt to the bombing raids on the Chechen capital, Grozny, and by offering negotiations between senior Russian officials and Chechen leaders.

Mr Yeltsin said some Chechen leaders understood that further resistance was "senseless". His promise of an end to the bombing was somewhat compromised by a later announcement by the defence ministry, which claimed that the use of laser-guided bombs would guarantee pinpoint accuracy and avoid civilian casualties.

The president's address, strongly and clearly delivered, was in large part directed at the more than 10,000 Russian soldiers now fighting determined resistance in Chechnya. The Russian army's leadership has been openly divided over the campaign.

"You have," Mr Yeltsin said, "a defined mission: to disarm the gangs of bandits and secure the handing over of the destruction of their heavy weaponry. I ask you to bend all of your efforts to fulfil the tasks assigned to you."

Mr Yeltsin spoke distinctly and showed no signs of after-effects from a nose operation that kept him in a Kremlin clinic for most of the early phase of the conflict.

He made two brief swipes at the liberal politicians and the media opposed to the war. He said that the former were serving their own ambitions and some of the latter were funded by "Chechen money". He gave no details of the allegation.

Nor did he comment on the more serious opposition to the war from senior military commanders including deputy defence ministers, now reportedly under sentence of dismissal.

He said the breakaway republic, which proclaimed its independence at the end of 1991, endangered the stability of Russia. Proclaiming that no region of Russia had the right to secede, the president said that "the longer the situation in Chechnya continues, the greater the destructive effect" to Russia's stability.

He sought to reassure the Chechens that the republic would be restored to peace and to economic stability, but claimed that the Dudayev regime had

Continued on Page 14
Yeltsin tries to quieten chorus of criticism, Page 2

French prime minister Edouard Balladur, pictured after a cabinet meeting yesterday, has been praised by government and opposition politicians for his handling of the Algerian hijacking crisis. His decision to order the rescue operation is seen as strengthening his hand in presidential elections which are due in the spring. Picture: AP

French sever transport links with Algeria

By John Ridding in Paris

Air and sea passenger links to Algeria were suspended yesterday after the French government moved to reduce the threat of terrorist attacks by Algerian Islamic militants.

The moves follow Monday's storming of a hijacked Air France airliner in Marseille in which four Islamic terrorists were killed. The terrorists, members of the Armed Islamic Group (GIA), a militant organisation opposed to the Algerian military-backed government, were protesting against French support for the regime.

The hijack was the most dramatic action taken against foreigners by Algerian Islamic militants. It fuelled fears that the violent conflict between the militants and the Algerian government could spill into France and other western countries.

Fears of further attacks were heightened by the news that three French Catholic priests and one Belgian priest had been killed in Algeria yesterday.

An official at the foreign ministry said it was unclear whether the attack was in response to the deaths of the hijackers, but that it demonstrated the threat to foreigners living in Algeria.

The killings took to 80 the number of foreigners killed in Algeria since the GIA, which has admitted responsibility for the hijacking, ordered all foreigners more than a year ago to leave or face death. The conflict has intensified since the cancellation of general elections in 1992 which the Islamic Salvation Front was poised to win.

Yesterday's deaths marred a triumph for Mr Edouard Balladur, the French prime minister, who received praise from government and opposition politicians and from foreign governments for his handling of the hijacking crisis. His decision to order the rescue operation is seen as strengthening his hand in presidential elections due in the spring.

The tough action was backed by Mr Charles Pasqua, the hardline interior minister and a potential prime ministerial candidate.

Mr Pasqua said there was evidence to suggest that the hijackers were preparing a suicide mission over Paris. He declined to give details, but passengers said that the hijackers had indicated they would crash into the French capital or explode the aircraft overhead.

Mr Alain Juppé, the French foreign minister, urged a democratic solution to the crisis in Algeria and denied that Paris was backing the Algerian government against its Islamic opponents. "We are not backing a regime or a government . . . The only side which we

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Poll boost, Page 2
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Three top officials quit in Tokyo bureaucracy battle

By William Dawkins in Tokyo

Three top Japanese civil servants, including the top bureaucrat at the powerful Ministry of International Trade and Industry, were forced to resign yesterday.

The departures mark a significant victory for the government in its struggle against bureaucracy.

A cabinet meeting accepted the resignations of Mr Hideaki Kumano, vice-minister at Miti and its most senior official; Mr Sozaburo Okamatsu, the Miti vice-minister for international affairs who is in charge of trade talks with the US; and Mr Kinju Atarashi, chief secretary at the Science and Technology Agency.

They are the most senior casualties so far in the battle between politicians and bureaucrats and represent another blow to the declining influence of Miti, which claims credit for overseeing Japan's industrial rise after the second world war. Miti was, until recently, the only ministry able to challenge the conservative Ministry of Finance, but morale has been crippled by political infighting over the past 18 months.

The upheaval is likely to delay economic deregulation, a policy promoted by Miti but viewed warily by the Ministry of Finance. Mr Atarashi resigned because of a row with Ms Makiko Tanaka, the Science and Technology Agency's politically appointed director-general, to whom he was chief adviser. He angered Ms Tanaka by warning her not to name bodies affiliated to the agency in response to a government request for state organisations to be considered for closure. His intervention was condemned, in particular, because the cuts were seen as part of the government's campaign to trim bureaucratic power.

Mr Tomiichi Murayama, the prime minister, said the dismissal of Mr Atarashi, who will return to Miti, was unavoidable. By Japanese standards, the shift is a serious loss of prestige.

Mr Kumano's resignation from Miti is the result of a row over the dismissal a year ago of a senior Miti bureaucrat for hastily promoting an official. This official happened to be an LDP election candidate and the party is taking its revenge against bureaucrats who opposed him.

Mr Kumano is to be replaced as vice-minister by Mr Tomio Tsutsumi, head of industrial policy. Mr Okamatsu is to be replaced at international affairs by Mr Yoshihiro Sakamoto, director-general of international trade policy.

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'Losing our grip?' .... Page 13

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Yeltsin tries to quieten the chorus of criticism

By John Lloyd in Moscow

President Boris Yeltsin's long-awaited address to the nation on the Chechnya crisis, confidently delivered yesterday afternoon, was a judicious mix of resolution to finish the job of disarming the "bandit groups" who support Chechen leader Dzhokar Dudayev and protestations of respect for the peaceful people of Chechnya, for their religion (Islam) and the need to restore their economy.

At its core was the same offer made a week ago: talks with leaders "who understand that further military confrontation is senseless", and with only one item on the agenda – a ceasefire and the disarming of all illegal groups. However, the president dwelt at length on the reasons for the Russian military intervention.

These, he said, were the three-year state of lawlessness in the breakaway republic, the illegality of a regime not recognised by the former laws of Chechnya, by federal laws or by other states, and the criminalisation of a regime which, he claimed, gained most of its revenue from arms and drugs trading, and from the diversion to its own use of federal funds meant to pay pensions and other expenses.

In its care for Russian fears about a long and bloody war and for Chechen sensibilities, the speech reflects Mr Yeltsin's need to attempt to placate, or at least reduce, the anxieties and hostilities of a number of senior military officers and several of his aides and advisers who have opposed his policies in Chechnya.

The most outspoken in the ranks of the military have been General Boris Gromov, a deputy defence minister, General Alexander Lebed, commander of the 14th Army in Trans Dnester, and – less explicitly but more powerfully – General Eduard Vorobyev, deputy commander of land forces who offered his resignation rather than lead the Chechen mission. On Monday, speaking to veterans of the Afghan war, General Gromov, the former Soviet army commander in Afghanistan, likened the Chechen affair to the Afghan debacle. He called it a "woeful, badly thought-out move ... which placed [the leaders'] political ambitions and the lives of the people on the same level ... The main thing I do not understand is for what reason our young and not-so-young people have to die", he said.

General Gromov, together with two other deputy defence ministers – General Georgy Kondratyev and General Valery Mironov, the latter of whom was Gen Gromov's deputy in Afghanistan – may pay the price for their insubordination. Mr Sergei Yushenkov, the forthrightly anti-war chairman of the Duma defence committee, claimed on Monday that a decree had been prepared sacking all of them. He said that the ostensible reason would be a reorganisation of the defence ministry: the real reason, however, was their refusal to take part in the "shameful Chechen war".

In a current affairs programme on Sunday night, Mr Emil Pain, a presidential adviser on ethnic problems, appealed to Mr Yeltsin to rethink his position and switch from military tactics to negotiation while there was still time.

Mr Pain, according to the programme, was speaking on the part of a wider group of advisers, including Mr Gergy Satarov, Mr Leonid Smiryagin, Mr Mark Urnov and others. These men, of a liberal bent, have voiced veiled or explicit criticisms of the action over the past week at the risk of their own positions. For the moment, like the generals, they have not been sacked and may have seen their opposition rewarded in the softer content of the president's speech.

However, the war will continue. If the Chechen rebellion is crushed, sackings and resignations appear inevitable. That, in turn, means that the remaining liberals around Mr Yeltsin will be joining the ranks of the opposition. More alarmingly, a number of generals, popular with their brother officers, will be relieved of duty but not necessarily of political ambition.

Scalfaro intent on taking his time

By Robert Graham in Rome

No quick solution to Italy's government crisis seemed likely yesterday as President Oscar Luigi Scalfaro resumed his consultations.

He spoke first to Mr Carlo Scognamiglio, senate speaker and a possible interim prime minister, and Ms Irene Pivetti, speaker of the chamber of deputies who has also become an important constitutional figure in the search for a new government.

President Scalfaro, who can dissolve parliament or invite someone to form a new administration, intends to proceed cautiously. He will spend at least the rest of the week in formal discussions with all the main political figures in an attempt to avoid early elections following last week's resignation of the Berlusconi government.

His determination was emphasised yesterday in a letter to union leaders praising their "civic sense" for declaring, in a pre-Christmas message, that early elections would harm the country.

This view has placed him in a potentially dangerous direct conflict with Mr Silvio Berlusconi, the outgoing premier, who is determined that elections be held by early April at the latest in order to gain maximum benefit from a sympathy vote.

The media magnate turned politician continues to enjoy solid support for a snap election from Mr Gianfranco Fini, leader of the neo-fascist MSI/National Alliance, principal partner in the rightwing coalition that governed Italy since May. However, the other main coalition partner, the populist Northern League, does not share this view.

All are agreed that a quick election would be against the movement's interests. This has weakened Mr Berlusconi's hand but has done nothing to help find an alternative solution.

One new element in this uncertain picture is the plight of two senior figures closely linked to Mr Alfredo Biondi, the outgoing justice minister and one of the coalition's most controversial members. Over Christmas it was revealed that Salerno magistrates had advised Mr Ugo Dinacci, chief inspector at the justice ministry, that he was under investigation for alleged links with the Camorra, the Naples Mafia, for allegedly helping "fix" trials. Mr Dinacci has been in the forefront of the government's campaign to bring anti-corruption magistrates to heel.

At the same time Mr Vincenzo Vitale, deputy head of Mr Biondi's office at the justice ministry, has come under investigation by Palermo magistrates for alleged abuse of office – which he denies – relating to a series of favours provided to Sicilian businessmen and politicians suspected of being close to the Mafia.

PM's standing enhanced but France faces growing threat from Algerian war

Hijack drama gives Balladur poll boost

By John Ridding in Paris

Mr Edouard Balladur yesterday resumed his holiday in the Alps to weigh the bitter-sweet implications of France's Christmas hijack drama. His own standing as prime minister and presidential hopeful has been enhanced. But his country has been dragged towards the frontline of Algeria's civil war and faces further threats from the torment of its former colony.

In ordering security forces to storm an Air France airliner, which had been seized on Christmas Eve by Islamic opponents of Algeria's military-backed regime, Mr Balladur threw off his cautious image. Monday evening's operation, in which the 169 passengers were rescued, was widely hailed as a success for a premier hitherto dogged by a reputation for prevarication and concessions.

"France received its own Action Man for Christmas", said one diplomat. "He has succeeded in the first major crisis he has faced since he took office."

For the prime minister, the timing is significant. Within the next few weeks he is expected to declare his candidacy for presidential elections due in the spring. The decision earlier this month by Mr. Jacques Delors, European Commission president, not to run as Socialist candidate, left Mr Balladur favourite to succeed Mr François Mitterrand. The outcome of the hostage crisis will further strengthen his hand.

Satisfaction, however, will be tempered by the implications of the hijacking, the most daring assault yet on foreign interests by Islamic opponents of the Algerian regime. The attack underlines the risks inherent in French policy towards its former colony and the growing threat of the civil war spilling into France. "For the first time since the Algerian war of independence we are seeing Algerian terrorism on French soil," said one Paris university professor.

Mr Alain Juppé, the French foreign minister, has warned that the violence in Algeria is set to continue and that France will step up security measures. Air links between the two countries have been suspended as a result of the hijacking.

France's policy has brought it increasingly into conflict with opponents of the Algiers regime. Since the cancellation in 1992 of elections which the Islamic Salvation Front (FIS) was poised to win, France has provided support and financial backing for the government to try to contain the conflict.

This stance reflects a series of concerns. In particular, Paris is eager to avoid a flood of refugees, swelling the ranks of the 1m or so Algerians already living in France, fuelling immigration tensions and playing into the hands of extreme-right politicians such as Mr Jean-Marie Le Pen, head of the National Front.

Mr Juppé, like his counterparts in London and Washington, has sought to promote a negotiated solution. But this has been overshadowed by the hardline approach of Mr Charles Pasqua, the powerful interior minister, who has launched a series of crackdowns on Moslem fundamentalists in France. In November, for example, Mr Pasqua claimed to have broken a support group for Algerian guerrillas following a dawn swoop which netted 90 suspected Islamic radicals.

Mr Pasqua's actions appear to have public backing. But they have drawn France into the firing line of Algerian Islamists, in particular the Armed Islamic Group (GIA), the most militant of the forces opposed to the Algerian regime of President Liamine Zeroual. The GIA claimed responsibility for the hijacking, describing the action as a response to the military and financial aid to the Algerian government.

Such hostility will only be heightened by the killing of the four hijackers. As one diplomat in Paris put it; "France has shown that it will act tough. This could dissuade further attacks. But it could equally bring reprisals."

With its policy of containment under strain, France is being pushed to reconsider its relationship with the Algerian government. Mr Juppé denied it was considering a policy shift, but he talked of tensions with the Algerian government during the hostage crisis and sought to distance France from close support for the regime.

Emotional scenes as friends and relatives greet hostages freed from the hijacked aircraft on their return to Orly airport in Paris yesterday Reuter

"We are not backing a regime or a government ... the only side we are backing is that of democracy," he said. "This message is directed to the Islamists as well as to those who back the policy of all out repression."

France may now try to step up its contacts with Algeria's Moslem groups in an attempt to ease tensions and break the deadlock in Algiers. Sources in Paris say the government has already sought to influence the FIS through discussions in Tehran and Khartoum.

There are limits, however, on how far France seems prepared to move. According to Mr Juppé, democratic forces have still to emerge with a political platform in Algeria. In the meantime, he said, France and the international community should provide financial aid to the Algerian people to avoid "chaos". However, such economic support, which has totalled about FFr38bn (£4.5bn) in 1994, is fiercely opposed by the Islamic fundamentalists. They believe the financial assistance is propping up the regime and reject France's assertion of impartiality.

A further obstacle to French strategy is lack of progress in seeking a democratic solution to Algeria's woes. In November, President Zeroual promised elections by the end of 1995. But the offer was rejected by militants, who have pledged to continue their armed struggle. Fighting has escalated sharply since negotiations broke down in the autumn.

The increased ferocity of the civil war has played into the hands of radicals who are more willing to go beyond Algeria in pursuit of their struggle. The Air France hijacking has sent a warning to Paris in particular. Despite the events of the past few days Mr Balladur has not been rescued from the Algerian crisis.

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French team proves its worth

By Jimmy Burns

The success of the French National Gendarmerie Intervention Group's assault on the hijacked Air France Airbus has served as a reminder of increasing sophistication of anti-terrorist action in the 1990s.

From the moment on Christmas Eve morning when the airline was taken over in Algeria, the French government set in motion a well rehearsed plan of action.

The apparent early prevarication by some French officials over whether or not to negotiate was a ploy by security chiefs to give time to prepare the commando operation.

The GIGN is divided into four brigades each made up of 15 professional police and ex-army marksmen with an administrative back-up which includes signals intelligence staff.

During the two days that elapsed between the hijack and the grounding of the aircraft in Marseilles one of the GIGN brigades practised the assault on an Airbus of the same type.

Throughout this period the movement and the conversations of the hijackers were constantly monitored by existing listening devices, allowing the commandos to pinpoint those areas of the airliner most susceptible to attack and infiltration.

The GIGN is just one of several specialised anti-terrorist units which France has established over the past two decades to deal with the threat of international terrorism in all its forms.

Together with Britain's SAS and the Israeli special forces, the GIGN have earned worldwide international recognition for their record in thwarting terrorist actions.

Controversy has never been far behind the actions of these units, however. They have to tread a fine line – often blurred by ministerial divisions – between what is politically acceptable and what is a military necessity.

It was Castro supporters who initiated aircraft hijacks in 1961, diverting four airliners to Havana, the Cuban capital. But it was in the late 1960s and early 70s that the practice was used increasingly by mainly Middle East groups to highlight their cause and, wherever possible, to secure the release of political prisoners.

Anti-terrorist experts believe that as long as a government holds firm and refuses to give in to terrorists there is less chance of hijacking increasing.

However, they have continued with more than 20 taking place in the past two years alone. Some hijackings have been carried out by deranged individuals, others by common criminals bent on extortion. The bulk, however, are the work of political fanatics who believe that the publicity generated by the action is still worth dying for.

Attention is focused on Algeria's hidden war

Some 700 people are dying each week in a vicious civil conflict which is largely invisible to the outside world, writes Francis Ghilès

The dramatic television pictures of the Air France hijacking contrast with the near invisibility to the outside world of the conflict in Algeria itself in which some 700 people are dying every week.

Foreign camera teams, either banned by the Algerian government or afraid of being targeted by fundamentalists, have been unable to record what Amnesty International says is "a growing spiral of violence [in which] the security forces and armed Islamist groups [act] in total disregard of international and humanitarian law".

The hijacking appeared to have been timed to coincide with the third anniversary on December 26 of the general election which the Islamic Salvation Front (FIS) seemed certain to win before the poll was annulled by the military-led Algerian government.

The result has been the loss of 30,000 lives – 25,000 of them this year alone.

An attempt last summer by the head of state, General Liamine Zeroual to establish a dialogue with the FIS leaders, Mr Abassi Madani and Mr Ali Benhadj, collapsed in October. Too many people on both sides of the divide – the army and the Islamist groups – had no wish to see it succeed and the violence worsened.

Supporters of radical Islam have traditionally used violence, notably against "degenerate" women and have recently taken to decapitating their victims and keeping their heads. The extreme Islamic Armed Group (GIA), reported to have been responsible for the Air France hijack over the weekend, has burnt down at least 500 schools and a number of university research centres and have been known to gun down children.

At the same time, the army, led by General Mohamed Lamari, the tough chief of staff who believes the FIS can be "eradicated", has turned to torturing and murdering people suspected of supporting it. There are reliable reports that they have burned whole forests to flush out guerrilla groups and have destroyed villages as retribution for the killing of soldiers.

More than 80 foreigners – including four Roman Catholic priests murdered yesterday – have been killed since September 1993, most of them at the hands of Islamists whose aim is to scare away international capital and knowhow vital to Algeria's economy. Embassies have closed and many foreign companies have withdrawn their personnel.

Since its birth five years ago the FIS has been a broad church. Its supporters have included pious members of the middle classes, well educated but radical younger Algerians and unemployed youths who despair of ever getting employment or housing.

The GIA is the more notorious group, but western officials say that disentangling one radical group from another is impossible. Many are believed to be led by local emirs and the military security forces are suspected of manipulating others.

The fault-line in Algerian society runs through family, tribe and region. Recently a security officer shot a terrorist and when he pulled the balaclava off the dead man's face, he recognised his son.

Intellectuals and members of the professional classes have been caught up in the confrontation between a privileged élite which has held power for a generation and the radical Islamists who say that "those who criticise us with their pen will die by the sword".

They view intellectuals such as the writer Tahar Djaout, whom they murdered in May 1993, as "apostates" who deserve the same fate as "Jews, Christians and foreigners who are part of a colonial plot to commit profanities on our country".

These events, occurring on Europe's doorstep are kept not only from the western eye. The authorities have imposed harsh measures on local journalists who are also increasingly victims of fundamentalist terror.

The resulting sparse coverage of the brutality on both sides is in the Algerian government's interests. It is well aware that television reporting in particular could lead some in Europe to question the largely uncritical support afforded it until now by western powers since 1992.

Most western leaders, notably President François Mitterrand of France, tacitly endorsed the coup of January 1992. For the past three years the same leaders have been keen to denounce fundamentalist violence but are notably coy about the brutal methods of the army. The US and, to a lesser degree Italy and Spain, have been more even handed in their condemnation of violence.

French leaders have strongly backed the regime and led the chorus for financial support. However, the Algerian government's handling of the hijacking will do nothing to improve its standing in the eyes of its own people.

Other security lapses could be economically costly. Were Algeria's vital oil and gas export facilities at Arzew or Skikdda to be successfully targeted by the fundamentalists, it would be a serious blow to the country's capacity to earn foreign exchange.

Meanwhile, key civil servants are among the estimated 50,000 professional people who in the past two or three years have joined in exile the estimated 100,000 well educated Algerians who left years ago. Many would agree with the Spanish writer Juan Goytisolo that refusing the FIS its electoral victory was "a remedy worse than the disease".

Algeria's modern history is one of continuing violence, first during 130 years of French colonial rule which culminated, between 1954 and 1962, in a traumatic war of independence where native Algerians fought the French and civil war prevailed within each camp. Thirty years of socialism, widespread corruption and lack of freedom of expression have added to the country's woes.

The fallout of further violence in Algeria, be it among its Maghreb neighbours or the 2m North African community in western Europe, many of whom live in France, cannot be discounted. Morocco and Tunisia, however, are unlikely "to fall off the shelf", in the words of one senior diplomat. If anything, the violence in Algeria appears to be acting, for the time being at least, as a powerful aversion therapy there.

Francis Ghilès is leaving the FT to become an independent consultant on North African affairs

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UK study criticises post-communist state sales

By Martin Wolf

The quality of much privatisation in post-communist countries is very poor, argue Peter Young and Paul Reynolds, in a report from the London-based Adam Smith Institute, published yesterday.*

"Unless there are substantial reforms in the approach being taken, what will emerge will not be real market economies, but inefficient, partially collectivised, hybrid economies in which a bureaucratic elite still succeeds in exploiting the bulk of the population," they say.

The big mistake, argues the report, has been to forget the wider goal of establishing a competitive market economy. "Instead, 'technical' privatisation, without liberalisation, has become the new objective."

The report's recommendations include:

- better integration of competition policy with privatisation;
- radical deregulation, combined with removal of barriers to entry of new companies;
- conversion of all share-holdings into ones that can be freely sold by their owners;
- national share registers, rather than registers managed by companies; and
- efforts to buy out the interests of entrenched managers, who remain dominant in most privatised enterprises.

The Adam Smith Institute was the intellectual pioneer of privatisation in the UK. The authors of the report have themselves worked on behalf of the institute as advisers to several post-communist governments, including Bulgaria, Kyrgyzstan, Moldova and Mongolia.

The report argues that mass privatisation is inescapable, given the scale of the inherited task. But present efforts suffer from significant defects, including:

- the wholesale transfer of unreformed monopolies into the private sector;
- creation of closed joint stock companies, whose shares cannot be sold without company permission;
- the sale of protected markets rather than just companies;
- restrictions on the goods and services that privatised companies can offer;
- conflicts between the different parts of governments involved in privatisation;
- use of residual state-owned shares by governments to exercise influence over enterprises; and
- the excruciatingly slow pace of privatisation in most countries.

Privatisation, notes the report, "is a necessary, but not sufficient, condition for the creation of a market economy". Furthermore, "the success of privatisation will be short-lived if the process is managed as an opportunity for enrichment amongst a bureaucratic or economic elite".

One big worry of the authors is over the failure to integrate competition policy with privatisation. "In some republics, anti-monopoly organisations have reimposed price controls over organisations they deem as monopolies.... This constitutes reintroduction of the planned economy by the back door." The solutions include liberal trade and "strong action to ensure that new enterprises are free to enter markets."

A second worry is over how the shares are owned, registered and traded. In Russia, for example, share registries are maintained by individual companies. More important, "closed company privatisation, especially when combined with the preservation of monopolies and a suffocating blanket of regulations, serves to preserve the old economic structure and system".

The persistent tendency towards chaotic over-regulation is a third big concern. "Too many bureaucrats," notes the report, "still think that reforms are less important than forms."

One result is "the culture of semi-illegality which prevails in post-Soviet industry and within administrative functions". Yet this is inevitable when, for example, "businessmen operating in Moscow today have to pay 51 separate taxes".

Moreover, "over-regulation also undermines the authority of the state when the very constitutional upheavals of the present make respect for state authority paramount".

**Peter Young and Paul Reynolds, The Amnesia of Reform, Adam Smith Institute, 23 Great Smith Street, London SW1P 3BL, £25.*

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Talks today on release of US pilot

By Jurek Martin, US Editor, in Washington

A senior US state department official arrived last night in South Korea, en route for talks in North Korea today when he will seek the release of Chief Warrant Officer Bobby Hall, the US army helicopter pilot downed over the North on December 17.

Mr Thomas Hubbard, a deputy assistant secretary of state, was part of the US team that reached the agreement on nuclear non-proliferation with North Korea in October. He was sent on his new mission after North Korean diplomats at the UN had suggested that this would "facilitate a resolution" of the problem.

But broadcasts and statements from Pyongyang over the last 48 hours have alleged that the helicopter was on a spying mission and have demanded that the US admit as much. US officials have maintained that it strayed into North Korea while on routine training because of a navigational error. Even so, the US has apologised for the violation of the North's air space.

Congressman Bill Richardson, the New Mexico Democrat who brought home the body of the other US pilot killed in the incident, said the new mission could strengthen the hand of the North Korean foreign ministry, adding that it was more eager for a resolution than was the North's military command.

Mr Lee Hamilton, outgoing chairman of the House of Representatives foreign affairs committee, warned yesterday that Congress might delay a scheduled US oil shipment to Pyongyang so as to force the release of the pilot.

The US is to provide 50,000 tons of heavy fuel oil, valued at about \$4.7m (£3m), to North Korea by January 21 as part of the October accord.

However, the US is anxious not to jeopardise the hard-won agreement which appeared to remove the immediate threat of the North acquiring an offensive nuclear capability.

There has been speculation here about a continuing internal power struggle in Pyongyang after the death last summer of Kim Il-sung ended 45 years of his authoritarian rule. Kim Jong-il, his son and successor, has been seen only intermittently in recent weeks.

Argentine market down sharply

By Carmen Pignotti in Buenos Aires

Argentina's stock exchange had another stormy session yesterday in a cash-squeezed financial market, with blue chips closing 4 per cent down on the day in heavy selling.

But government officials said no fiscal measures would be taken to calm the markets, and refuted rumours that several first-line banks were on the brink of financial collapse.

The stock market's selective MerVal index closed at a fresh low for the year of 437.08 points.

The bourse has nosedived 17.2 per cent in the past six sessions, after Brady bonds and Argentine ADRs (those traded in New York) had taken a pounding on the heels of Mexico's shock currency devaluation last week.

"There's absolutely no chance of a devaluation or any tax increases," Mr Carlos Sánchez, deputy economy minister, said. He predicted that the surge in call money rates from 12 per cent last Thursday to about 25 per cent, and the stock exchange's slide, would be reversed in the short term.

Business turns to a Mercosur sunrise

David Pilling weighs Argentina's prospects in a customs union about to take effect

The jitters afflicting currency and share markets have yet to undermine Argentine confidence that the most important economic event in the near view is Mercosur – the customs union that will from Sunday weld Argentina's market to that of Brazil, as well as to those of Paraguay and Uruguay.

Brazil, a market of 150m and Argentina's largest trading partner, is witnessing a "vigorous recovery of demand", thanks to the initial success of the Real currency plan, says Mr Domingo Cavallo, Argentine economy minister. Meanwhile, consumption in Argentina is levelling off.

"The macro-economic asymmetry [with Brazil] has completely changed," he says. When Mercosur was born in 1991, Brazil was in near-hyperinflationary recession while Argentine consumer demand was booming, the minister says.

Now the reverse is so, providing a welcome boost to Argentine exports, which are already showing signs of picking up strongly. The shift might just be enough to ease what many foreign investors regard as a crucial weakness of Argentina's restructured economy – its vast trade deficit, set to top \$5.5bn (£3.5bn) this year.

"Without doubt, Mercosur will start to be an important motor of growth," says Ms Debora Giorgi, an economist at Alpha, an economic consultancy. Alpha expects that, in 1995, Argentine exports to Brazil will leap by \$1.4bn to about \$4.2bn, and that Argentina's trade deficit with its giant northern neighbour – this year expected to be \$1.1bn – will be wiped out. In 1996, Alpha says, exports to Brazil will surge again, to \$6.1bn.

Baring Securities expects the "Brazilian effect" to help reverse the trend of Argentina's widening trade gap. Next year, Barings is predicting, the overall deficit will shrink by \$500m to about \$5.0bn.

Argentine exports expected to do best, according to Alpha, are natural gas, wheat, flour, sunflower oil, milk products, cars and autoparts, textiles, leather goods and fish.

Provinces on the Brazilian border, many of which are among Argentina's poorest, as well as the milk and wheat-producing zones of Santa Fe, Córdoba and Buenos Aires further south, should receive a particular fillip, it says.

There is already evidence (largely anecdotal) of a year-end surge in exports to Brazil, produced largely, says the Broda economic consultant, by a 37 per cent appreciation of the Real against Argentina's dollar-pegged peso. This gives Argentina what Broda calls a "phenomenal trading advantage", helped further by the leap in Brazilian consumer demand thanks to the slaying of hyperinflation.

ARGENTINE EXPORTS TO BRAZIL
millions of US\$

1988	608
1989	1,124
1990	1,423
1991	1,489
1992	1,671
1993	2,791
1994 (estimate)	2,800
1995 (prediction)	4,200
1996 (prediction)	6,100

Source: Indec, Alpha

Mr Marcos Devoto, a food analyst at Santander Investment, gives the example of Argentine cheese producers who cannot buy enough milk to supply the resurgent Brazilian market. Customs officials on the frontier are reported unable to keep pace with the rush.

Mr Devoto says that Brazil today is experiencing what happened in Argentina in 1991 when the destruction of hyperinflation unleashed pent-up consumer demand.

The impact of the formal start of Mercosur itself is expected to be less dramatic. Although free trade for the majority of goods within the Mercosur bloc will start on Sunday, in practice most items already face only minimal tariffs after recent reductions.

"There will not be an explosion in January," says Mr Cavallo. "It's a continuation of what was begun in 1991."

One change that could have a marginally negative impact on Argentine hopes to raise competitiveness – and hence exports – is the end of duty-free imports of capital goods. Argentina, which has tried to encourage its dilapidated industry to re-equip with modern machinery, must now bow to the demands of Mercosur's common external tariff, in particular to the wishes of Brazil.

Because Brazil wants to protect its own capital goods industry, Argentina has been forced to agree to a gradual increase of tariffs on such items to 14 per cent by 2001.

Even so, Argentine companies show every sign of having taken advantage of their opportunity. Capital goods imports went up by 60 per cent to \$3.3bn in the first seven months of 1994 against the equivalent period of 1993. Partly because of this, the government expects exports to increase by 20 per cent next year.

Some companies have also been thinking ahead, in terms of taking advantage of new Mercosur-driven opportunities. Cargill, the multinational commodity trader with important operations in Brazil and Paraguay (in Argentina, too, where it is the biggest food exporter), is "already evaluating ways of exploiting the synergies," according to Mr Hugo Krajnc, public affairs manager.

He believes, however, that traditional wisdom, which regards Argentina as naturally strong in the food sector and Brazil as the obvious regional centre for mass-produced consumer items, may be flawed. "Without [the distortionary effects of] inflation, the real competitive advantage may turn out to be quite different," he says.

Most analysts agree that some Argentine companies will suffer and that the need for greater competitiveness may throw more people out of work. Unemployment is already high.

"The profound productive transformation being set in motion by Mercosur could be painful for many," says Alpha. Brazilian industrial muscle will force Argentine companies to specialise in their areas of strength, it adds.

"All this integration is definitely likely to reallocate industry," says Mr Krajnc at Cargill. "The end of this film has not been seen yet."

Lone Star state outshines NY

By Jurek Martin

It has not been a great year for New York. Not only did the state vote out of office the most distinctive US governor, Mr Mario Cuomo, but it will wake up today to the news that it can no longer call itself the second most populous state in the union after California.

That honour, say estimates from the Commerce Department's Census Bureau, now belongs to Texas. The Lone Star state added a net 356,000 residents in 1994 to reach 18.4m. New York's nugatory 16,600 growth left it at 18.2m.

The reasons for the advance of Texas were broad-based, showing the extent to which it has recovered from its early and deep recession in the 1980s. Its residents were the second most fecund in the country, with births outstripping deaths by 188,000. It was also among the most attractive to immigrants, adding a net 86,000 from other states and a further 75,000 from overseas.

New York recorded a natural increase of 114,000 and a foreign immigrant rise of 101,000, but this was almost entirely offset by the more than 200,000 leaving the state for greener pastures elsewhere.

But at least New York had the consolation of discovering that California is no longer the golden land of opportunity, at least for US citizens. Its net loss of residents to other states rose to 426,000 (1.4 per cent of its population), a testament to the seriousness of its recent economic problems.

California still grew overall, by a net 214,000 to 31.4m, on the strength of a natural increase of 258,000 and foreign immigration estimated at 272,000. This last figure only refers to legal immigrants.

California's loss mostly stayed out west. Eight of the ten fastest-growing states were in the region. Neighbouring Nevada was the US leader with a growth of 5.4 per cent, followed in order by Arizona, Idaho, Utah, Colorado, New Mexico, Montana and Oregon.

Most of these states are underpopulated, which means that the largest numerical increase (a net 1.3m people) was recorded in the geographic South. Texas was followed by Florida, Georgia, North Carolina, Tennessee and Virginia, all in the US top ten as measured by new heads.

At the other end of the scale of attractiveness, Connecticut, Rhode Island and the District of Columbia all suffered population loss. The US capital, losing a net 9,000, brought up the rear and, as its hopes of statehood fade further, has fewer people than even Vermont.

INTERNATIONAL NEWS DIGEST

Settlement row in West Bank

Groundwork on a new suburb for 500 families in the West Bank Jewish settlement of Efrat, south of Bethlehem, has thrown the Israeli-Palestinian peace process into doubt

The Arabs of the neighbouring village of Khader claim they have grown vines on the disputed hillside for centuries; the settlers retort that they bought part of the 125 acres involved and that the rest was government land. To the Palestinians, the suburb looks more like a new settlement that an expansion of Efrat, which houses 1,000 families.

Two of Prime Minister Yitzhak Rabin's ministers have questioned the wisdom of building it when Israel is negotiating peace through territorial compromise. The decision will be reviewed at a cabinet meeting next Sunday.

After violent clashes yesterday between the villagers and the Israeli army, Mr Sa'eb Erakat, the Palestinian Authority's local government minister, protested: "This is the graveyard of the peace process."

Mrs Shulamit Aloni, Israel's outspoken communications minister, was the first to condemn the project. "What has been done here," she said, "is theft by force of arms. We have to decide if we want to go forward towards peace, or if we want to go towards unending terror."

Mr Moshe Shahal, the police minister, agreed.

Israeli forces yesterday arrested 45 Arab demonstrators and Israeli peace campaigners, who joined their sit-in on the hillside. After the protesters had been evicted, two bulldozers began levelling the ground. *Eric Silver, Jerusalem*

Last-minute Iberia strike talks

Iberia, Spain's financially-crippled national carrier, held last-minute talks with its pilots yesterday to avert a strike against pay cuts and redundancies that is scheduled to start today and will run over the peak holiday period until January 8.

The government ordered the pilots to maintain 50 per cent of the scheduled flights during the strike under minimum service guidelines for public companies. Anticipating a breakdown in the 11th-hour negotiations, the airline said it had cancelled 220 flights today including all those to European destinations served by another airline. *Tom Burns, Madrid*

US consumer confidence up

US consumer confidence rose nearly two points in December, to 102.2, its highest level in more than four years, the Conference Board, a New York business analysis group, reported yesterday.

Confidence varied substantially by region with gains in central and southern regions offset by modest declines on the east and west coasts.

Separately, the National Association of Realtors reported a 2.6 per cent decline in sales of existing (as opposed to new) homes between October and November, to a seasonally-adjusted annual rate of 3.81m. Sales were 7.5 per cent down from November last year. Analysts blamed sluggish sales on recent increases in mortgage rates. *Michael Prowse, Washington*

Boeing wins German orders

Boeing, the Seattle-based aircraft manufacturer, has announced orders and options worth an estimated $692m (£443m) from German airline customers.

Air Berlin, the charter operator, is ordering six 737-800s and one 737-400. It has an option on four more 737-800s, a forthcoming "next generation" stretched version of the current 737-400.

Lufthansa German Airlines has also ordered one 747-400, which will be its 19th 747. Boeing said the purchase breaks a five-year lull in long-haul aircraft orders by the airline.

Two other German airlines, Berlin-based Germania and Munich-based Bavaria Fluggesellschaft, have also said they intend to order next generation 737s, said Boeing. Last month Hapag-Lloyd, another German carrier, announced the first 16 orders for the 737-800.*Andrew Baxter, London*

Russian oil market reform

A new system of regulating the Russian foreign and domestic oil markets will come into force on January 1, according to a senior Russian official. The system seems certain to run counter to the views of the International Monetary Fund and the World Bank, and thus threatens the delivery of the crucial aid to the Russian budget by these institutions next year.

Mr Andrei Dogayev, a deputy trade minister, told the Interfax news agency yesterday that a new system – scrapping the oil export quotas but replacing them with a requirement on oil companies to dedicate 65 per cent of their output to domestic consumers – had been "definitively agreed". He also said that the present system, under which 14 approved companies will have the exclusive right to export oil, would be maintained, and that tariffs and other methods would be used to regulate exports. *John Lloyd, Moscow.*

UN sees 'progress' in Bosnia

UN officials yesterday cited progress in negotiations on the details of a four-month ceasefire in Bosnia.

Two Bosnian government soldiers were wounded around Bihac, the embattled Moslem enclave in the northwest. But a temporary truce appeared to be holding. Winter weather also helped slow the fighting. General Sir Michael Rose, UN commander in Bosnia, yesterday met Mr Ejup Ganic, vice-president of the Moslem-Croat federation, to work out the details of the four-month cessation of hostilities, mediated by Mr Jimmy Carter, former US president and due to come into force on January 1.

The Moslem-led Bosnian government yesterday disputed UN reports that the truce had taken hold in Bihac, which is ringed by Serb forces from Bosnia and neighbouring Croatia. Mr Ganic called for the withdrawal of the Serb forces from Croatia. *Laura Silber, Belgrade*

Turkey orders Islamists jailed

A Turkish court has convicted 86 Islamic fundamentalists of murder and rioting, sentencing them for up to 15 years in jail for their part in disturbances last year in the city of Sivas in central Turkey that lead to 37 deaths.

In July last year the defendants surrounded and set fire to a hotel where an arts festival was being held, killing 37 people, most of them writers, artists and actors. This was the worst outbreak of fundamentalist violence in recent years in Turkey, highlighting the growing strength of Islamic extremism. *John Barham, Istanbul*

Corruption worries Mahathir

Dr Mahathir Mohamad, Malaysia's prime minister, says he is worried that corruption recently disclosed in the Malaysian football league might spread to the country's political system.

Malaysian police have arrested at least 50 football players in recent days on suspicion of fixing the results of matches. Dr Mahathir said that he was concerned that if people were willing to offer money to ensure a side wins in a football match then they might also indulge in similar practices in the political arena.

The investigations into football bribery in Malaysia comes at a time of mounting allegations about corruption in various sectors of Malaysian society. *Kieran Cooke, Kuala Lumpur*

Bulgaria's ex-Communists win

Bulgarian President Zhelyu Zhelev yesterday urged the Socialist party of former Communists, the clear winner of the December 18 elections, to form a government without any ally.

Confirming previously announced unofficial results, Ms Ralitsa Negentsova, a spokeswoman for the Election Commission, said the Socialists won an absolute majority of 125 seats in the 240-seat parliament. Their main opponent, the staunchly anti-Communist Union of Democratic Forces, gained 69 seats.

The Socialists have been seeking a multi-party government, which they say is necessary to deal with Bulgaria's deeply rooted economic problems. *AP, Sofia*

Mandarins feel power of sword

Tokyo's top bureaucrats are being shaken up in their struggle with politicians, writes **William Dawkins**

The office blocks of Kasumigaseki, Tokyo's civil service district, were shaken yesterday when three of the country's top mandarins, in charge of industrial, international trade and technology policy, lost their jobs.

Ministers of the conservative three-party government coalition yesterday approved the resignation of Mr Hideaki Kumano, vice-minister (the top bureaucrat) at the Ministry of International Trade and Industry, which took pride in being the architect of Japan's industrial success and is a keen advocate of economic deregulation.

His right-hand man, Mr Sozaburo Okamatsu, vice-minister for international affairs – the top trade negotiator – stood down. With them went Mr Kinju Atarashi, chief secretary of the Science and Technology Agency, a Miti fiefdom which runs the country's first home-grown space rocket, successfully launched last summer.

They are the senior victims of the ruling Liberal Democratic party's campaign to reassert power over the public administration, which follows the party's return to office six months ago after its first humiliating year in opposition for nearly four decades.

The purge further destabilises Miti, already struggling to find a new identity to replace its redundant role of engineering industrial growth. It may take 10 years for morale to recover, mourns a retired official.

The Miti mandarins' alleged sin was to get in the way of politicians' attempt to strike a new balance between elected representatives and the holders of bureaucratic power.

This is a popular theme on all sides of Japanese politics. Public feeling is shifting away from a public administration perceived as more sensitive to its own interests than to the citizen's. Bureaucrat-bashing excites increasing competition between political parties, in the absence of significant policy differences.

Mr Kumano, the Miti boss, was blamed for failing to stop, and by implication for conniving in, the dismissal, by a previous government almost exactly a year ago, of Mr Masahisa Naito, former head of Miti's industrial policy bureau.

Mr Naito, until then next in line to succeed Mr Kumano, was ousted for prematurely promoting a young official who was about to stand for the LDP. Mr Ryutaro Hashimoto, the Miti minister and a rising star in the LDP, only delayed the sackings because he was waiting for the 1995 budget to be completed, say officials.

Meanwhile, Mr Atarashi lost his job because of a row with his political boss, the formidable Ms Makiko Tanaka, the agency's director general.

Unwisely, he told Ms Tanaka to restrain a government campaign to trim the number of departments, reportedly warning her that government offices were "public organs... not a minister's personal obsession". He should have known better. Ms Tanaka, 51, the daughter of former prime minister Mr Kakuei Tanaka, is a popular and much publicised critic of excessive bureaucratic power.

She and a generation of younger politicians want to break with the tradition under which ministers were merely ministries' meek figureheads. They would read from scripts prepared by civil servants, leaving policy formation, parliamentary questions, and sometimes international negotiations, to officials.

Ministers were kept weak by the former LDP faction system, in which they changed jobs every two years or so to make way for the next faction's candidate. But the LDP factions were finally dissolved a week ago, in connection with the political reforms that took effect on Christmas Day, a deep blow to the old order. Now, "teamwork between cabinet ministers and the people who shoulder public administration is necessary," argues Mr Yohei Kono, LDP president.

Yesterday's bureaucratic bloodletting is a consequence of a process started in summer 1993 by Mr Morihiro Hosokawa, the first non-LDP prime minister for 38 years, when he launched a deregulation drive. Ostensibly, deregulation was supposed to promote consumer demand and open the economy to imports, in which Japan had the support of trade partners sceptical of seeing change to a tightly protected system.

But deregulation won political popularity as an attack on the bureaucracy. Mr Naito's resignation, in December last year, brought this into the open. When the LDP returned to office in June, it took up deregulation as an electorally popular policy, despite its own conservative instincts.

The government plans to publish the country's first white paper on deregulation early next year and has launched a review of 92 state agencies – the issue on which the unfortunate Mr Atarashi committed his self-destructive gaffe.

There is another dimension to all this. The bureaucracy has also become a battleground between the LDP and the opposition New Frontier party, whose members formed the two previous coalition governments.

Many saw the hand of Mr Ichiro Ozawa, the NFP's strategic mastermind, in Mr Naito's dismissal. Equally, the hand of Mr Noboru Takeshita, the LDP's shadow shogun and former prime minister, is thought to be behind yesterday's sackings.

Yet the humbling of Miti may not go entirely to the politicians' script. It will, in the short term, further strengthen the Ministry of Finance, untouched by this battle, rather than boost the power of the LDP, warns the retired official.

Until this row, Miti was the only ministry strong enough to counterbalance the finance mandarins' fiscal austerity and conservatism, he points out. The Ministry of Finance is increasingly portrayed in the Japanese press as an arrogant defender of the old bureaucratically controlled order. It may therefore become the next target of ambitious politicians, though the men from the MoF will certainly put up more of a fight than did the Miti men across the road in Kasumigaseki.

'Are we losing our grip, sensei?' Page 13

Weak rebound for Japanese economy

Japan's economic recovery was confirmed by statistics released by the government yesterday, although a fall in consumer prices, indicating lingering deflationary pressures, reinforced predictions of a weak rebound, Emiko Terazono writes.

Industrial production for November rose 2.7 per cent from the previous month, and 5.9 per cent from a year earlier on an unadjusted basis, thanks to output growth in sectors including electrical machinery and steel. Industrial shipments rose 2.8 per cent from the previous month while the inventory index dropped 0.2 per cent.

Labour conditions showed a slight improvement, with the unemployment rate for November at 2.9 per cent, the first fall in seven months, down from October's 3 per cent. The ratio of job offers to applicants remained flat for the third consecutive month at 0.64, indicating 64 offers for 100 candidates.

Strong November construction order figures reflected a recovery in private sector capital spending. The figure rose 20.8 per cent from a year earlier, with private sector orders rising 13.9 per cent and public sector orders advancing 31.8 per cent. The construction ministry said housing starts rose 4.5 per cent from the previous year to 136,983 units, up for the second consecutive month.

However, consumption figures indicated that the downward pressures on prices were still evident. The Ministry of International Trade and Industry said large retailers' sales last month rose 0.3 per cent from a year earlier, the first increase in four months. Sales at department stores rose 0.1 per cent, the first increase in 33 months.

Meanwhile, the December consumer price index for the Tokyo metropolitan area, a leading indicator for the national figure, fell 0.5 per cent from the previous year, due to lower prices on clothing and other manufactured goods. For the whole year, the CPI for Tokyo rose 0.7 per cent, the first increase of less than 1 per cent since 1987.

Nationwide, the CPI for November fell 0.3 per cent from the previous month.

Violence raises concern over future of Karachi

Farhan Bokhari on the unrest which has claimed 170 lives this month in Pakistan's business capital

Karachi's worst outbreak of factional, ethnic and sectarian violence in recent memory has led to fresh tensions between India and Pakistan and raised concerns over the future of Pakistan's business capital.

The violence, which Pakistan claims has been fomented by Indian agents and which has led to the closure of the Indian consulate in Karachi and the expulsion by both countries of two diplomats, has claimed at least 170 lives this month. More than 650 people have been killed this year.

In two recent incidents, the bullet-riddled corpses of four paramilitary troopers were discovered blindfolded and tortured with their hands tied behind their backs and shot at close range. No one claimed responsibility.

The next day, a group of nervous off-duty policemen blindly pointed their guns towards a side street and fired in response to celebratory shots fired in the air by people in a marriage party. The bridegroom and best man died.

The base of the country's vital port facilities, Karachi is home to the head offices of some of the country's largest business groups and financial empires.

Many foreign businesses, including multinational corporations, banks and stock market investment groups, are also based in the city and have a stake in its future.

Many businessmen, fear the security crisis could affect investment decisions.

The violence has already hit the heart of that confidence.

The KSE-100 index of the Karachi Stock Exchange has fallen by almost 15 per cent in two months, while many small shopkeepers claim that sales have fallen by up to a half.

Fears for personal safety run high, and confidence over the ability of the police to reverse the trend stands at an all-time low.

Many foreign governments have advised their citizens to avoid travel to the city.

"The business activities in Karachi are coming down day by day, and if this situation is not brought under control, we fear that in coming weeks the activities may [come to a] standstill," says Mr Ahmed Sattar, president of the powerful Karachi Chamber of Commerce and Industry, Pakistan's largest business chamber.

The violence has escalated rapidly since the government pulled out army troops from Karachi last month, ending a controversial 29-month operation which was criticised by human rights activists for excesses against civilians. But the withdrawal has given an opportunity to well armed political and religious groups to settle scores.

One significant cause of the problem is the continuing crisis caused by a bloody split in Karachi's largest ethnic political party – the MQM (Mohajir Qaumi Movement), a group representing Moslems who migrated from India in 1947 at the time of independence from the British raj.

Security officials claim that the rivals have tried assassinating each others' leaders, to strengthen their own position.

Some of the MQM-related violence has also been ethnic, with the mostly Urdu-speaking migrants demanding more representation in government jobs than that given to the Sindhis, who have a majority in the province but mostly in areas outside the city.

Some of the recent killings are also linked to religious disputes. A group of Sunni Moslems has been campaigning to have members of the Shia Moslem minority officially declared non-Moslems.

Despite these factors, government officials primarily accuse intelligence agencies from India, Pakistan's neighbour and arch-rival, for fomenting much of the unrest.

Many local businessmen, including Mr Sattar, accept the notion of the enemy's "invisible hand" stirring the trouble. But some western diplomats are less convinced.

"Both India and Pakistan have repeatedly made such accusations. In Karachi, even if there was some truth, the core problem is essentially the government's failure to find a political settlement," one diplomat says.

The government of Mr Abdullah Shah, the provincial chief minister, with the support of Ms Benazir Bhutto, the prime minister, and President Farooq Leghari, has begun negotiations with representatives of the MQM's larger faction, in an effort to find a political solution.

Some officials are convinced that the key to ending the killings lies with Mr Altaf Hussain, the movement's leader, who lives in exile in London.

The government wants Mr Hussain to use his influence over his supporters, who are probably an overwhelming majority among the city's migrant population, to denounce violent tactics. In return, MQM legislators in the provincial assembly in Sindh could be offered ministerial slots.

"An agreement could help to bring the MQM in the political mainstream and put the violence to rest," says one senior government official in Karachi. Officials hope that if Mr Hussain's faction agrees to a settlement, the rival faction, whose following is much smaller, could be brought around to a truce.

However, it is not clear if such an agreement would be reached, and if so, how long it would hold together.

Furthermore, it is also not clear how the government would deal with sectarian and ethnic violence even if the MQM's two factions silenced their guns.

Some analysts are convinced that even if the killings are stopped, other socio-economic problems which plague the city and create the temptation for crime would be far more difficult to resolve.

In recent years, a combination of growing numbers of unemployed youth together with a large flow of guns and drugs – a fall-out from the war in neighbouring Afghanistan – created new temptations.

The city is also a striking example of the stark contrast between the rich and the poor, with the elite living a life of luxury in fashionable enclaves while the slum population grows substantially in *katchi abadis* (shanty towns).

Ms Sherry Rehman, editor of Karachi's monthly Herald magazine, assessing the situation, says: "You can't just give ministries to people and forget about it. The city needs a comprehensive package covering politics, economics, law and order, social services."

India's ex-President Singh dies

Priests of several religions offered last prayers for former President Zail Singh, India's first Sikh head of state, as his body was cremated according to Sikh custom yesterday *(pictured above)*, Reuter reports from New Delhi

Hindu, Moslem, Sikh, Christian and Buddhist prayers were chanted on the banks of the Yamuna river in Delhi near the memorials to two of India's founding leaders, Jawaharlal Nehru and Mahatma Gandhi.

Singh, who was 78, died in the northern city of Chandigarh on Sunday after suffering multiple fractures when his car was hit by a truck on November 29.

Prime Minister P V Narasimha Rao laid a wreath on the body at the ceremony attended by ministers, opposition leaders and chiefs of the army, navy and air force.

Singh, who was appointed by then-prime minister Indira Gandhi, served as president from 1982 to 1987. He was called *Giani*, or scholar, for his mastery of Sikh scriptures.

Hundreds marched in a procession that carried Singh's body, draped in the Indian flag, along an 11km route.

Picture: Reuter

INTERNATIONAL ECONOMIC INDICATORS: **PRODUCTION AND EMPLOYMENT**

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	91.1
1986	105.5	100.9	6.9	96.0	95.3
1987	108.4	106.0	6.1	105.5	96.3
1988	112.6	110.7	5.4	106.1	99.8
1989	115.6	112.4	5.2	99.3	98.5
1990	116.4	112.4	5.4	84.6	94.7
1991	114.0	110.5	6.6	62.2	99.4
1992	117.6	114.1	7.3	60.3	104.0
1993	123.6	118.8	6.7	65.3	110.2
4th qtr.1993	5.7	3.6	6.4	69.6	110.2
1st qtr.1994	7.0	4.1	6.5	71.3	110.8
2nd qtr.1994	6.1	5.4	6.1	74.7	111.1
3rd qtr.1994	5.7	5.8	6.0	75.2	111.2
December 1993	6.0	3.9	6.3	70.7	110.2
January 1994	4.4	3.7	6.6	66.7	110.4
February	7.0	3.9	6.4	72.9	110.5
March	9.7	4.7	6.5	74.3	110.8
April	6.7	4.8	6.4	73.5	111.1
May	5.6	5.6	6.0	76.4	111.3
June	5.8	5.9	5.9	74.1	111.1
July	5.0	5.6	6.1	77.2	111.6
August	6.0	6.2	6.1	74.9	111.5
September	6.2	5.7	5.8	73.4	111.2
October	6.0	6.2		79.9	110.8
November		5.7			

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	77.2
1986	106.6	99.7	2.8	94.3	84.4
1987	113.8	103.1	2.8	108.3	91.8
1988	122.6	113.1	2.5	135.9	97.2
1989	132.5	119.7	2.2	147.0	99.4
1990	141.7	124.5	2.1	149.8	97.0
1991	144.6	126.8	2.1	144.2	94.8
1992	139.9	119.0	2.1	124.2	94.2
1993	131.8	113.6	2.5	106.6	99.7
4th qtr.1993	−6.0	−4.2	2.7	103.3	99.7
1st qtr.1994	−2.9	−3.0	2.8	101.7	103.0
2nd qtr.1994	−1.8	−1.1	2.8	102.9	104.3
3rd qtr.1994		1.7		102.6	106.0
December 1993	−2.5	−3.5	2.8	99.5	99.7
January 1994	−2.0	−2.7	2.7	97.0	100.7
February	−3.7	−4.3	2.9	97.7	101.6
March	−3.1	−2.1	2.8	110.7	103.0
April	−1.9	−2.0	2.8	99.5	103.7
May	−3.4	−1.8	2.8	103.8	103.7
June	−0.1	0.7	2.9	105.1	104.3
July	−0.2	−0.5	3.0	98.6	105.8
August		3.6	3.0	106.9	106.2
September		2.0		102.2	106.0
October		4.6			
November					

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	89.7
1986	103.3	102.2	6.4	136.4	89.5
1987	107.4	102.6	6.2	149.4	90.4
1988	110.5	106.3	6.2	164.8	95.7
1989	114.2	111.4	5.6	218.7	98.1
1990	123.5	117.2	4.8	261.1	98.5
1991	130.5	120.8	4.2	270.7	95.9
1992	127.7	119.1	4.6	260.2	90.2
1993	122.3	110.8	5.8	198.5	96.1
4th qtr.1993	−5.9	−3.2	6.3	180.9	96.1
1st qtr.1994	0.4	−0.0	6.5	194.3	98.8
2nd qtr.1994	−1.9	3.1	6.6	189.2	101.7
3rd qtr.1994	−2.5	3.7		193.4	103.3
December 1993	−8.4	−1.1	6.3	182.6	96.1
January 1994	0.3	−1.8	6.4	190.9	96.8
February	0.5	1.0	6.5	198.8	97.7
March	0.4	0.7	6.5	195.9	98.8
April	−7.9	2.8	6.6	192.6	100.2
May	2.7	2.3	6.6	187.6	100.9
June	−0.2	4.1	6.6	186.7	101.7
July	−3.2	6.4	6.5	189.2	102.3
August	−3.0	1.8	6.5	192.6	103.0
September	−1.4	3.1		198.4	103.3
October	−2.0	5.2		206.6	103.8
November				206.4	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	90.7
1986	102.4	101.1	10.4	107.0	96.6
1987	104.5	103.1	10.5	117.2	96.3
1988	107.9	107.3	10.0	135.3	101.4
1989	109.5	111.3	9.4	160.6	101.0
1990	110.3	112.9	8.9	163.2	95.0
1991	110.3	113.2	9.4	128.2	96.0
1992	110.5	113.2	10.4	109.5	94.2
1993	110.7	110.1	11.7	90.0	96.7
4th qtr.1993	−0.5	−1.4	12.3	80.3	96.7
1st qtr.1994	1.3	0.3	12.5	93.6	99.5
2nd qtr.1994	−1.2	3.6	12.6	110.6	101.6
3rd qtr.1994	1.4	5.3	12.6	109.0	102.1
December 1993	−0.6	0.3	12.4	77.5	96.7
January 1994	0.7	1.2	12.5	82.5	97.5
February	1.3	−0.8	12.5	95.1	98.3
March	2.0	0.5	12.6	103.3	99.5
April	−3.8	3.6	12.6	113.6	100.9
May	3.1	3.8	12.7	109.8	101.7
June	−2.7	3.6	12.6	108.3	101.6
July	−2.1	5.4	12.6	105.2	101.3
August	3.9	5.4	12.6	109.6	101.6
September	2.5	5.2	12.7	111.9	102.1
October		4.7		108.3	102.3
November					

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	88.1
1986	108.8	104.1	10.4	94.0
1987	112.1	106.8	10.9	95.6
1988	107.9	114.2	10.9	99.6
1989	116.8	118.7	10.9	97.8
1990	114.4	118.0	10.3	94.0
1991	110.9	115.4	9.8	96.3
1992	118.9	115.4	9.8	93.3
1993	114.2	112.9	10.2	101.0
4th qtr.1993	−8.9	−0.3	10.7	101.0
1st qtr.1994	−5.7	−0.9	11.7	102.3
2nd qtr.1994		5.0	12.5	102.1
3rd qtr.1994		9.0		101.9
December 1993	−9.8	1.9	n.a.	101.0
January 1994	−6.3	−3.5	n.a.	101.5
February	−8.6	−0.2	n.a.	102.0
March	−2.3	1.0	n.a.	102.3
April	−10.5	6.9	n.a.	102.5
May	−3.2	2.8	n.a.	102.3
June		5.2	n.a.	102.1
July		6.8	n.a.	101.6
August		12.3	n.a.	101.8
September		7.8	n.a.	101.9
October		7.3	n.a.	102.6
November			n.a.	

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	90.0
1986	105.3	102.4	11.2	116.1	93.1
1987	110.7	106.5	10.3	141.2	97.1
1988	117.8	111.6	8.6	143.1	95.6
1989	120.1	114.0	7.2	123.5	93.6
1990	121.1	113.7	6.8	97.2	91.3
1991	119.6	109.2	8.8	68.2	95.3
1992	120.5	109.0	9.9	69.3	99.2
1993	124.7	111.3	10.3	76.3	106.7
4th qtr.1993	3.9	2.8	10.1	82.6	106.7
1st qtr.1994	3.5	4.2	9.9	84.6	108.8
2nd qtr.1994	3.8	6.0	9.6	89.0	109.1
3rd qtr.1994	3.4	5.8	9.5	96.9	110.2
December 1993	4.2	3.2	9.9	83.7	106.7
January 1994	3.9	4.4	10.0	84.4	107.7
February	2.8	4.0	9.9	84.5	108.4
March	3.7	4.4	9.8	84.8	108.8
April	4.3	6.3	9.6	87.4	108.7
May	4.1	5.3	9.6	88.2	108.9
June	3.1	6.5	9.6	91.3	109.1
July	3.8	5.4	9.6	93.9	109.7
August	3.1	5.6	9.5	97.8	109.9
September	3.5	6.7	9.4	99.4	110.2
October	3.0	5.6		105.7	
November	2.5			107.8	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

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PRODUCTION AND EMPLOYMENT

GERMANY

MPs make a meal of cooks for top brass

By David Owen at Westminster

Top officials at Britain's Ministry of Defence were urged to tighten their belts yesterday after the disclosure that more than 100 serving officers are entitled to cooks' services at the public's expense.

The insight into the lifestyle of senior officers comes just ahead of the completion of an independent review of "representational entertainment" in the armed forces, including domestic assistance and official residences.

The ministry said yesterday that Sir Peter Cazalet, former chairman of the armed forces pay review body, who is conducting the study, was due to report back in January or February. It said the review – the first of its kind – would help ministers see "what we have got and whether we need it." Meanwhile, the House of Commons defence committee is making inquiries into the use of the 77 official service residences in Britain and abroad.

The disclosure on cooks came in a Commons written answer by Mr Nicholas Soames, the armed forces minister and former food minister. Mr Soames listed 114 posts that are entitled to cooks at an estimated cost of £2.4m ($3.7m) in the present financial year.

Officers ranging from the First Sea Lord to the Captain of the Admiralty Interview Board and the Commodore, Minor War Vessels are entitled to cooks. The Royal Navy is particularly well catered for: 65 officers are covered, compared with 23 in the Army and 26 in the Royal Air Force.

Mr Stephen Byers, Labour MP for Wallsend, who tabled the question, called on Mr Malcolm Rifkind, defence secretary, to consider "as a matter of urgency whether in the 1990s this historic entitlement is still appropriate".

Mr Byers said the figures showed a misplaced sense of priorities within the armed forces. "At a time when public spending is under pressure and squaddies serving in Bosnia are making do with reduced rations, senior serving officers need to tighten their belts," he said.

European and Far Eastern visitors boost takings

Cheap pounds lure shoppers

By John Authers and Chris Tighe

Retailers yesterday reported intense activity by shoppers at the opening of the annual January sales, as wet weather encouraged more bargain-hunters than usual. But retailers were doubtful that the surge in buying signalled a lasting upturn in consumer confidence.

Businesses in London's West End said numbers were swollen by non-UK customers, particularly from continental Europe and the Far East, who had been attracted by the weakness of sterling. Mr Tony Salem, retail managing director of Liberty, whose flagship store is in London's Regent Street, said: "There are a lot of foreign customers spending their cheap pounds. In the West End tourism has been very strong, and that's what's kept our figures increasing at above the level of inflation." He said UK consumers still seemed to be afflicted by a "feel anxiety" factor.

Mr Tim Daniels, managing director of Selfridges, said volumes in Oxford Street were "at least in line with last year".

Regional shopping centres reported sharp increases in business. A spokesman for Gateshead's MetroCentre in north-east England, Europe's largest out-of-town retail complex, said customers were spending more than last year.

An estimated 200,000 people visited Manchester's Arndale Centre, approximately 15 per cent up on the same day last year. In the pre-Christmas period total visitors were up 8 per cent, and turnover was 5 per cent ahead of the same period in 1993.

Two centres which have opened in the past five years, Sheffield's Meadowhall and the Lakeside centre in Thurrock, Essex, estimated they had had their busiest day ever.

Treasury told to 'mingle'

Senior officials at the UK Treasury have been ticked off by Sir Terry Burns, the permanent secretary, who says they have failed to show enough enthusiasm for finding out about the outside world, Peter Marsh writes.

In a memo not intended for publication, Sir Terry says that the number of visits to companies this year by top officials has been "very disappointing".

Only about a third of the officials whom Sir Terry has asked to visit at least one commercial organisation during 1994 have done so. The visits are part of a Treasury scheme to make its employees more aware of business issues.

But many of the officials face an uncertain future in the private sector under a programme to cut a quarter of the Treasury's top 100 jobs.

The memo was sent this month to about 200 senior staff. It asks people eligible for the department's "contacts with industry" scheme who have not been on a visit this year to arrange one as soon as possible.

Last year about 60 of the 100 officials who were asked to go on at least one visit to industry did so. For this year the scheme was extended to include slightly lower grades, taking the total covered to about 200 people.

Morale at the Treasury is poor following a review of its staff structure which requires the department to shed about 25 top jobs by early next year.

Sweet sound of sales for music industry

Alice Rawsthorn tracks a seasonal resurgence for record companies

Executives of EMI Records knew they had a hit on their hands last month when they launched a rare Beatles recording, Live At The BBC. But they never dreamt that it would sell nearly 1m albums in its first month on sale.

Live At The BBC is not the only success on the UK music scene. Album and singles sales rose by 12.5 per cent in the year to October according to the British Phonographic Industry. Early estimates suggest that Christmas sales could be 20 per cent up on last year.

The UK music market declined steadily in the early 1990s with album sales falling from 163m in 1989 to 134m by 1992 says British Phonographic Industry. The record companies also faced a Monopolies and Mergers Commission inquiry into compact disc pricing as well as the legal attempt by singer George Michael to end his contract with Sony. These threats have evaporated. The commission found in the industry's favour and Mr Michael lost his case. The latest probe into the music business – the commission's investigation into the Performing Right Society, the body that collects royalties for composers – will not affect record companies.

The economic environment has also improved, with music traditionally emerging from recession earlier than other consumer sectors.

Growth in the number of teenagers – prime purchasers of singles – has triggered a revival in teen phenomena such as Take That and East 17. Record companies have also invested in new acts like Oasis and Blur. With more critical kudos than Take That and East 17, they might last longer. Blur's Parklife album has sold 500,000 copies since its September debut. Meanwhile the industry continues to benefit from increased sales to the people in the 25 to 45 age group who grew up in the vibrant pop culture of the 1960s and 1970s. Some of the most successful 1994 releases have been aimed at this age group.

Live At The BBC is even better news for retailers, as it attracts older consumers who do not normally buy albums. EMI's compact disc plant has been working round the clock to satisfy demand. The popularity of CDs is also boosting sales. Some 40 per cent of UK homes now have CD players and consumers are still replacing vinyl collections by buying old favourites on disc, increasing sales of classic rock, jazz and classical music.

The outlook is even brighter on the international front. UK acts are well established in mainland Europe and are starting to regain the ground they lost in the US in the early 1990s in the face of American phenomena such as country music, rap and grunge rock.

Country and grunge are waning, making it easier for UK acts to make their mark in the US – by far the world's largest record market – meaning that the acts' UK record companies can earn royalties on North American sales.

UK MUSIC SALES

	Albums	Singles
1989	163m	61m
1990	157m	59m
1991	142m	58m
1992	134m	53m
1993	159m	56m

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UK NEWS DIGEST

Nadir pays and beats tax deadline

Turkish Cypriot tax authorities said yesterday that Mr Asil Nadir, the fugitive tycoon, had paid about $390,000 in tax debts from disputed Cyprus-based assets of his collapsed Polly Peck empire.

Three Nadir employees paid the arrears from two hotels in separate cheques to the main tax office in the Turkish Cypriot sector of Nicosia on Monday night, tax officials said.

The payment was made hours before the expiry of a Turkish Cypriot government deadline to pay up or have the Jasmine Court Hotel in Kyrenia and the Palm Beach Hotel in Famagusta taken under government control.

Mr Nadir says he still controls the hotels which have remained beyond the reach of Polly Peck administrators because of court cases against their transfer of ownership on the Turkish sector of the divided island.

Administrators for Polly Peck offshoot Voyager Mediterranean last week paid Turkish Cypriot authorities a year's land rent of $97,000 for the Jasmine Court Hotel.

The rent, paid on behalf of another Polly Peck unit – Voyager Kibris – was seen by administrators as a step towards having the Turkish Cypriot government recognise their ownership. Mr Nadir's remaining debts to the state from unpaid taxes, rents and defaulted social security payments are believed to total about $11m.

Holiday war hots up

Thomson, Britain's biggest tour company, yesterday offered summer breaks for as little as £99 ($154) as the holiday price war built up.

The move came as Lunn Poly, the biggest travel agency, began selling holidays with sharp discounts. Going Places, the second-biggest travel retailer, has announced discounts on summer holidays outside the UK of up to 20 per cent.

Buy-out for coal arm

A management and employee buy-out team has been selected by British Coal and its advisers as the preferred bidder for Coal Products, the UK's largest manufacturer of solid smokeless fuels and foundry coke.

British Coal also said it had sold TES Bretby, its specialist scientific services subsidiary, to John Mowlem Construction, which is paying £3m ($4.7m) cash in two instalments.

The announcements mark important steps in the privatisation programme for British Coal's non-mining activities. RJB Mining is paying £815m for its English mining assets while Celtic Energy is buying its opencast sites in south Wales.

At CPL, a buy-out bid led by Mr David Foster, operations director, and backed by Legal & General Ventures, has been selected from a shortlist of four. The other three were Anglo United, Coal Developments and a management buy-in bid led by NatWest Ventures.

The preferred bidder will have a period of exclusivity to complete the transaction by January 31.

Mobile phone offer row

An opposition Labour MP said yesterday he would protest to Mr Michael Heseltine, trade and industry secretary, about the fact that thousands of people who bought mobile phones on the promise of unlimited free calls on Christmas Day were unable to get through.

Mr Andrew MacKinlay, MP for Thurrock, said thousands of people who had been "enticed" into purchasing a Mercury One-2-One telephone service had been "thwarted in their efforts because of excessive demand and inadequate Mercury planning and facilities".

Mercury One-2-One said at least 20 people had spent more than 12 hours on the phone on Christmas Day, and a further 20 had made more than 2,000 calls between them.

It admitted that it had not anticipated such demand and would give credit calls to users unable to use their phone. Some 750,000 people joined Britain's four major mobile phone networks over the Christmas season.

Quick-draw man shot

A man was shot dead by police yesterday after brandishing a pistol in the street. Police marksmen shot 44-year-old Robert Dixon on his doorstep in Huddersfield, Yorkshire, after he refused to put down the gun. A witness said Mr Dixon had fired the weapon twice at a police negotiator who was trying to persuade him to surrender.

But friends of the dead man claimed his weapons – used in Wild West-style sharpshooting competitions – fired only blanks. Mr Dixon was well known as an amateur gunslinger and quick-draw specialist and had taken part in several quick-draw competitions.

It was the second time in 24 hours that police have shot a gunman. On Boxing Day a 30-year-old man was wounded by police marksmen as he stood brandishing a gun within feet of his baby daughter in a street in Enfield, north London.

He shot an armed female officer in the right leg before coming under a hail of police bullets. He was taken to hospital with wounds to the chest and legs. Both incidents are being investigated by police authorities.

Cricket legend dies

Peter May, former England cricket captain and chairman of selectors, died yesterday aged 64.

May played 66 Tests for England from 1951-61, scoring 4,537 runs at an average of 46.77. He retired from Test cricket at the early age of 31 and from the first-class game two years later. But he continued to serve English cricket in many capacities – as a selector and chairman of selectors, and as president of the MCC in 1980-81.

Prime minister John Major said: "Peter May was one of the greatest batsmen English cricket has ever produced. He will leave behind a legacy of personal and cricketing memories that many will treasure.".

COMMUNICATION. THE ART OF BRINGING TOGETHER PEOPLE, NATIONS AND CONTINENTS.

It's true to say that Italy has always been a nation of the arts -everyone knows it- but today, there's another art in which Italy is an acknowledged world leader - *the art of communication. The Italian Telecommunications System is a world-wide network of vital importance.* Its development is the fruit of the collaboration of more than 100 companies. Together they form the integrated holding company, STET. The STET Group operates in all sectors of telecommunications: from services to manufacturing, from information facilities to multimedia activities. In other words, the STET group of companies provides the communication life-blood of the whole economic system, enabling people to exchange and collaborate ever more efficiently. The STET Group is a market orientated company quoted on the stock exchange and whose stock is owned by thousands of shareholders. It is one of the largest companies in the world with 140,000 employees, a revenue of $20 billion and $5 billion in investments. The STET Group activities reach out beyond its national boundaries, spreading Italian technology and know-how throughout the world. Like the arts, telecommunications bring together people, nations and continents.

STET

TELECOMMUNICATIONS
IN ITALY AND THE WORLD

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **YESTERDAY**
Town Centre Secs.10½% 1st Mtg. Db. '1 £5.25

■ **TODAY**
Banco Int. 8⅛% Nts. '5 $4062.50
Barings Gtd. FRN 2001 $14.22
Boots 10⅛% Bd. 2017 £2531.25
Britannia Bldg. Scty. FRN '7 £152.98
Elf Ent. Fin. 8¾% Gtd. Exch. Bd. '6 £218.75
First Priv. Fin. 1 Mezz. Asset-Bckd. FRN '1 £1935.70
Do. Snr. Asset-Bckd. FRN 2021 £1582.83
Fuji Bank Int. Und. Sb. Gtd. Var. Rate Y75240.0
Furukawa Elec. FRN Mar.'98 Y67812.0
Do. FRN Jun.1998 Y67812.0
Ideal Hardware 3.4p
Met. Water Board Kent Water 3% Db. £1.50
Mitsubishi Oil 4.2% Bd. '03 Y313833.0
Sabre Int. Ser.P Var. Rate Nts. '98 Y66117.0
Saehan Merchant Bank. FRN '95 $742.71
Stars 1 A FRN '29 £139.57
Sumitomo Realty FRN '97 Y1451836.0
Trace Computers 0.95p

■ **TOMORROW**
Britannia Bldg. Scty. Sb. FRN 2006 £1673.32
Brit. Aerospace 11⅞% Bd. '08 £593.75
Carnell 0.25p
Chelsea Bldg. Scty. Sb. FRN '99 £31335.62
Comm. Bk. Australia 10 Year Gtd. Ext. FRN $259.89
Fortnum & Mason 24p
Fujita FRN 1997 Y726736.0
Gartmore Value Invs. 0.3615p
Kohap (Hong Kong) Gtd. FRN '96 $789.93
Residential Prop. No.3 A1 Mtg. Bckd. FRN '25 £949.88
Do. Class A2 2025 £1519.58
Do. Class B 2025 £1776.37
River & Merc. Geared Cap. & Inc. Tst. '99 1.4p
St. James's Place Capital 1.5p
Wah Kwong Shipping HK$0.117
Yasuda Tst. Asia Pac. Gtd. Amtsd. FRN '04 $1453.47

■ **FRIDAY**
DECEMBER 30
Abbey Natl. Treas. Servs. Gtd. Cpd. FRN '96 £159.91
Abtrust Lloyd's Ins. Tst. 2.5p
Alexander & Alexander $0.025
Do. Class C 0.016p
Alexanders Hldgs. 9½% Cm. Pf. 3.325p
Anglo Fin. No.1 Snr. FRN '01 £1519.76
Do. Mezzanine FRN '01 £1973.09
Do. No.2 Snr Sec. FRN '04 £1611.59
BSG Int. 0.7p
Black & Decker $0.10
Blue Circle Inds. 7⅝% Cv. Pf. 3.8125p
Bodycote Int. 2.15p
Brake Bros 2.3p
Bridon 10¼% Db. 91/96 £5.125
Do. 6⅝% Un. Ln. 02/07 £3.3125
Do. 7¾% Un. Ln. 02/07 £3.875
Britannic Assurance 5% Tax-Free Cm. Pf. 2.5p
Calor 6p
Carlisle 4.38% Rd. Pf. 2.19p
Casket 10¼% Pf. 5.125p
Chesterfield Props. 4.4p
City Site Ests. 7% Cv. Un. Ln. 05/08 £3.50
Collateralised Mtg. Sec. 8 Mtg. Bckd. FRN '28 £114.89
Do. 11 Class A Mtg. Bckd. FRN 2028 £109.37
Copenhagen Handels. Sb. FRN 2000 $266.88
Dencora 6¼% Cv. Pf. 3.125p
Development Sec. 11% 1st Mtg. Db.'16 £5.50
Drayton Eng. & Int. Tst. 0.4p
Emess Cv. Pf. 3.125p
Engelhard $0.12
Ex-Lands 7½% Cv. Un. Ln. '20 £3.75
Fidelity Euro. Values Eq. IL Un. Ln. '01 0.8785p
Finsbury Growth Tst. 2p
F & C Eurotrust 1.23p
F & C Inc. Growth Inv. Tst. 1.4p
Friendly Hotels 5% Cv. Pf. 2.5p
Fulcrum Inv. Tst. 1./4p
Gartmore Smaller Co's Tst. 4.25p
Gaskell 5% Cm. Pf. 1.75p
Geest 3.7p
General Cons Inv. Tst. 3p
GUS 5⅜% Rd. Ln. £2.6875
Do. 6⅜% Rd. Ln. £3.1875
Headlam 5.6% Cm. Pf. 2.8p
Higgs & Hill 7% Pf. 2.45p
Homer Fin. 1 Class A Mtg. Bckd. FRN '28 £110.82
Do. Class B 2028 £197.11
Do. 3 Class A1 2036 £129.72
Do. Class A2 2036 £152.43
Do. Class A3 2036 £155.55
Do. Mezzanine 2036 £169.88
Hunting 4.2% Pf. 2.1p
Jersey Phoenix Tst. 1.25p
Jeyes 3.3p
Kayser Bondor 6% Cm. Pf. 2.1p
Ladbroke Fin. 9% Cv. Bd. 2005 £45.0
London & Assoc. Inv. Tst. 0.05p
Macallan-Glen. 6¼% Cv. Ln. '05 £3.125
Morgan Grenfell Equity Inc. Tst. 2.8p
NHL (3) Class A1 Dfd. Int. Mtg. Bckd. FRN '36 £132.43
Do. Class A2 2036 £155.55
Do. Mezzanine 2036 £169.88
NHL (1) Dfd. Int. Mtg. Bckd. FRN 2028 £106.05
Northchart Invs. Z$0.06
Northern Telecom $0.09
Philips Fin. 5¾% Stlg/Gldr Gtd. Ln. 1981/94 £2.875
Portals 5.75p
Portsmouth & Sunderland News. 3.51p
Ropner 3.5p
Royal Bank Can. Fltg. Rate Db. 2005 $47.40
Royal Bank Scot. 5½% Cm. Pf. 1.925p
Do. 11% Pf. 3.85p
Do. Ser.A Pf. $0.703125
Do. Ser.B Pf. $0.70
Do. Ser.C Dollar Pf. $0.59375
Savoy Hotel 4% 1st Mtg. Db. £2.0
Savoy Theatre 4% 1st Mtg. Db. £2.0
Schroder Split Fd. 1.8p
Seagram $0.15
Shires High-Yielding Small. Co's Tst. 1.2p
Sutton District Water 3¼% Db. £1.625
Do. 5% Db. £2.50
SwedBank Sb. FRN 2002 $321.12
Swire (John) 6.3% Cm. Pf. 3.15p
TSB Perp. FRN £161.59Takare 11.8% 1st Mtg. 2014 £5.90
Tennessee Gas Pipe. 10% Stlg/Dollar Cv. Un. Ln. 91/95 £5.0
Truck Funding FRN 1997 £799.56
UK FRN 1996 $126.39
Unichem 2.5p
Wells Fargo FRN 2000 $47.92
Woolwich Bldg. Scty. FRN 1997 £152.12

■ **SATURDAY**
DECEMBER 31
Allied Domecq 11¾% Db. '09 £5.875
Allied Lon. Props. 10¾% 1st Mtg. Db. '25 £5.375
Allnatt Lon. Props. 7½% 1st Mtg. Db. 90/95 £3.75
Anglo Eastern Plants. 12½% Un. Ln. 95/99 £6.25
Antofagasta (Chile & Bolivia) Rail. 4% Perp. Db. £2.00
Antofagasta 5% Cm. Pf. 2.5p
Asda Prop. 5⅛% Cv. Pf. '12 2.5625p
Asprey 6½% Cm. Pf. 2.275p
Do. 9¾% Cm. Pf. 4.875p
Avdel 10½% Un. Ln. 96/98 £5.25
Avon Rubber 4.9% Cm. Pf. 2.45p
Bampton 8¼% Un. Ln. 02/07 £4.125
Bardon 3.85% Cm. Pf. 1.925p
Do. Cm. Pf. 2005 5.625p
Baring Tribune Inv 9⅛% Db '12 £4.5625
Barings 5¾% 1st Pf. 2.875p
Do. 7¼% 1st Pf. 3.625p
Do. 8% 1st Pf. 4p
Do. 8% 2nd Pf. 4p
Bluebird Toys 12% Cv. Ln.'05 £6.00
BOC 4.55% Cm. Pf. 2.275p
Do. 2.8% Cm. 2nd Pf. 1.4p
Do. 3.5% Cm. 2nd Pf. 1.75p
Bowthorpe 7% Un. Ln. 90/95 £3.50
Braime (TF & JH) 5% Cm. Pf. 2.5p
Bristol Wtr 3½% Perp Db £1.75
Do. 4% Cons Db. £2.0
Do. 4% Perp. Db. £2.00
Do. 4¼% Perp. Db. £2.125
Do. 9.8% Rd. Db. 1996 £4.90
Brit. Fittings 5.5% Cv. Pf. 2.75p
Brit. Guiana Demerara Rlwy. 4% Perp. £2.00
Do. Annuities 50p
Brit. Polythene Inds. 7½% Cm. Pf. 3.75p
Brixton Est. 5% Cm. Pf. 0.875p
Do. 9.5% 1st Mtg. Db. 2026 £4.75
Do. 11¼% 1st Mtg. Db. 2023 £5.625
Do. 10.75% 1st Mtg. Db. 2025 £5.375
Broadstoner 6% Cm. Pf. 2.1p
Brockhampton 3p
Do. A Non-Vtg. 3p
Brunner Inv. 5% Cm. Pf. £1.75
Burford 9⅝% 1st Mtg. Db. '19 £2.8479
Cap.& Counties 11¼% 1st Mtg. Db. '21 £5.625
Do. 9⅞% 1st Mtg. Db. '27 £4.9375
Charlwood Alic. 8¾% 1st Mtg. Db. 95/98 £4.375
Chamos 7% Cm. Pf. 2.45p
Chester Water. 11⅜% Rd. Db. 98/2000 £5.6875
Clydeport 4% Irrd. £2.00
Do. 3% Irrd. £1.50
Coats Patons 4½% Un. Ln. 02/07 £2.25
Do. 6¾% Un. Ln. 02/07 £3.375
Commercial Union 8¾% Cm. Irrd. Pf. 4.375p
Cookson 7% Cm. Pf. 2.45p
Croda Int. 5.9% Pf. 2.95p
Do. 6.6% 3.3p
Dead Sea Works 5% Db. '02 NIS0.25
Debenhams 7¼% 2nd Db. 91/96 £3.625
Delta 4.2% Cm. 1st Pf. 2.1p
Do. 3.15% Cm. 2nd Pf. 1.575p
Denmark (Kingdom of) 13% Ln. '05 £6.50
Derby Tst. 7½% Db 99/2003 £3.75
Eastbourne Water 10½% Rd. Db. 95/97 £5.25
Do. 11.2% Rd. Db. 05/09 £5.60
Do. 12½% Rd. Db. 2004 £6.25
Ecclesiastical Ins. 10% Cm. 2nd Rd. Pf. 5p
Edinburgh Inv. Tst. 11½% Db. '14 £5.75
EIS 3.4p
Do. 5% Cm. Pf. 1.75p
Elec & Gen. Inv. 10.1% Db '97/2002 £5.05
EMAP 5% Cm. Pf. 1.75p
Empire Stores 9¼% Db. 94/99 £4.625
Estates & Agency 3.5% Cm. Rd. Pf. 1.75p
Do. 11.25% 1st Mtg. Db. 2020 £5.625
Estates Gen. 11.25% 1st Mtg. '18 £5.625
Everards Brewery 5% Cm. Pf. 1.75p
Finlay (J) 4.2% Cm. 1st Pf. 2.1p
Do. 4.2% Cm. 2nd Pf. 2.1p
Do. 5% Cm. 2nd Pf. 2.5p
Five Arrows Curr. Fd. Ptg. Rd. Pf. A$ Fd. A$0.2763
Do. BFr Fd. BFr16.149
Do. C$ Fd. C$0.41601
Do. FL Fd. FL0.94094
Do. DKr Fd. Dkr3.51145
Do. DM Fd. DM0.77295
Do. ECU Fd. ECU0.34523
Do. FFr Fd. FFr2.18296
Do. HK$ Fd. HK$1.54836
Do. Lira Fd. L873.591
Do. NZ$ Fd. NZ$0.61842
Do. S$ Fd. S$0.23288
Do. Peseta Fd. Pta66.201
Do. £ Fd. 19.683p
Do. SWFr Fd. SWFr0.41386
Do. SKr Fd. SKr3.05413
Do. US$ Fd. $0.24393
Do. Yen Fd. Y15.125
Fleming Amer. Inv. Tst. 5% Cm. Pf. £1.75
Do. 7% Cv. Un. Ln. '99 £3.50
Fleming Claverhouse Inv. Tst. 11% Db. '08 £5.50
Fleming Overseas Inv. Tst. 5% Cm. Pf. 1.75p
Folkestone & Dover Water 4% Perp. Db. £2.00
Do. 5% Perp. Db. £2.50
Do. 11½% Rd. Db. 2004 £5.75
F & C Inv. Tst. 11.25% Db. '24 £5.625
Fortnum & Mason 7% Cm Pf 2.45p
Frogmore Ests. 13.85% 1st Mtg. Db. 2000/03 £6.925
Gartmore Shared Equity Tst. 2.4p
GATX $0.375
Gen. Cons. Inv. Tst. Stepped. Pf. 2.006p
Glynwed Intl. 7¾% Cm. Pf. 2.7125p
Grampian Hldgs. 7% Pf. 2.45p
GR Hldgs. 10½% Pf. 5.25p
Guardian Media 4% Cm. Pf. 1.4p
Hall Eng 5.55% Cm. Pf. 2.775p
Halstead (J) 5½% Cm Pf 1.925p
Hartlepools Water 8% Rd. Db. 92/94 £4.00
Hawtin 4.55% Pf. 2.275p
Helene 0.65p
Hewitt 10% Cm. Pf. 5p
Hickson Cap. 7% Cv. Cap. Bds. '04 3.5p
Hickson Intl. 8½% Un. Ln. 89/94 £4.25
IMI 5½% Un. Ln. 01/06 £2.75
Intl. Inv. Tst. of Jersey 13% Rd. Pf. 6.5p
Jersey Elect 8% Gtd. 2000 £4.00
Kilroot Electric 9⅛% Db. 06/10 £4.1123
Kleinwort O'seas Inv. Tst. 4% Cm. Pf. £2.00
Lazard Smaller Eq. Inv. Tst. Cm. Stppd. Pf. 6.375p
Lon. Park Hotels 10½% 1st Mtg. Db. 2000/05 £5.25
Manganese Bronze 8¼% Cm. Pf. 2.8875p
Marley 11⅞% Db.'09 £5.9375
Marshalls 11⅜% Db. 92/2014 £5.6875
Marshalls Universal 7.5% Rd. Pf. 3.75p
Merivale Moore 10½% 1st Mtg. Db. '20 £5.25
Mid-Kent Water 4% Perp Db £2.00
Do. 5% Perp. Db. £2.50
Do. 8% Rd. Db. 92/94 £4.00
Mid Southern Water 3½% Perp. Db. £1.75
Do. 5% Perp. Db. £2.50
Molyneux Fin. 8¼% 1st Mtg. Db. 2019 £4.125
More O'Ferrall 10% Cm. 2nd Pf. 5p
Mucklow (A & J) 7% Cm. Pf. 2.45p
Murray Intl. Tst. 4% Db. £2.00
Newey 5% Cm. Pf. 1.75p
News Intl. 7% Cm. 1st Pf. 2.45p
Do. 8% Cm. 2nd Pf. 2.8p
Newton Chambers 5% 1st Cm. Pf. 1.75p
North East Water 3.75% Rd. Db. '12 £1.875
Do. 12% Rd. Db. 2005 £6.00
Do. 12.3% Rd. Db. 95/97 £6.15
Northern Rock Bldg. Scty. 12⅝% perm Int. Brg. £63.125
North Surrey Water 5% Db. £2.50
Do. 9½% Rd. Db. 94/96 £4.75
Pearson 9.3% Un. Ln. 96/2001 £4.65
Do. 13.625% Un. Ln. '07 £6.8125
Pittards 9.5% Cm. Pf. 4.75p
Quarto 8.75p Pf. 4.375p
Quicks 10% Cm. Pf. 5p
REA 9% Cm. Pf. 4.5p
Do. 12% Cv. Un. Ln. 2000 £6.00
Record 10% Cm. Rd. Pf. 5p
Regis Prop. 8¾% Gtd. Un. Ln. '97 £4.375
Retail Corp 6½% Cm. Pf. 2.275p
Do. 5¾% Cm. 2nd Pf. 2.0125p
River & Merc. Tst 5% Pf. £1.75
River Plate & Gen. Inv. Tst. 4% Db. Irrd. £2.00
Rolls-Royce Power Eng. 3% Cm. Pf. 1.5p
Do. 5.375% Cm. Pf. 2.6875p
Do. 11% Cm. Pf. 5.5p
Ropner 11.5% Cm. Pf. 5.75p
Rotork 9.5% Cm. Pf. 4.75p
Rugby 6% Un. Ln. 93/98 £3.00
Do. 7¾% Un. Ln. 93/98 £3.875
St. Andrews Tst 5¼% Cm. Pf. £1.8375
St. Davids Inv. Inc. 6p
Schroders 8¾% Un. Ln. 97/02 £4.375
Scot. Eastern Inv. Tst. 4½% Cm. Pf. £1.575
Scot. Mort. & Tst. 6-12% Stepped Int. Db. '26 £6.00
Scot. Natl. Tst. 6% Cm. Pf. 2.1p
Severn River Crossing 6% IL Db. '12 £3.226
Simon Eng 9¼% Db. 92/97 £4.625
Sirdar 7½% Cm. Pf. 2.625p
Slough Ests 11.25% 1st Mtg. Db. '19 £5.625
Do. 12⅜% Un. Ln. 2009 £6.1875
Sutcliffe Speakman 9½% Rd. Pf. 4.75p
Temple Bar Inv. Tst. 9⅞% Db. '17 £4.9375
Tendring Hundred Water Serv. 4% Db. £2.00
TMC Mort. Sec. No. 1 Mtg. Bkd. FRN '14 £21.38
T & N 11¾% Mtg Db. 95/2000 £5.875
Tootal 4¾% Perp. Db. £2.375
Trafalgar Hse 5.575% Cm. Pf. 2.7875p
Do. 7% Un. Db. 3.5p
Do. 10¼% Un. Ln. 01/06 £5.125
Transport Dev. 4.7% Pf. 2.35p
Do. 6¾% Ln. 89/94 £3.375
Do. 8¼% Un. Ln. 93/98 £4.125
TR City of Lon. Tst. 11½% Db. '14 £5.75
TR Tech. Stepped Pf. 3.350239p
Do. Units 13.400956p
Unigate 6½% Un. Ln. 92/97 £3.25
UK Prop 8½% Un. Ln. 2000/05 £4.25
VTR 2.55p
Waddington 4.2% Cm Pf 2.1p
Do. 5.6% Cm. Pf. 2.8p
Watmoughs 8¼% Cm. Rd. Pf. '06 4.125p
Wellman 50% Pf. 5p
West Kent Water 4% Perp Db £2.00
Do. 12½% Rd. Db. 1994/96 £6.25
Whirlpool $0.305
Widney 8.76% Cv. 2nd Pf. 2000 4.38p
Williamson Tea 6% Cm. Pf. 2.1p
Wilson (Connolly) 8% Cm. 1st Pf. 2.8p
Do. 10.5% Cm. 2nd Pf. 5.25p
Wolverhampton & Dudley Brew. 6% Cm. Ptg. Pf. 2.8p
Wood (A)(Longport) 7½% Cm. Pf. 2.625p
Wyevale Garden 8.5p Cv. Cm. Rd. Pf. 4.25p
Yorkshire Chems 5% Cm Pf 1.75p
York Waterworks 5% Db. £2.50

■ **SUNDAY**
JANUARY 1
Baltic 7% Cv. Rd. Pf. 3.5p
Barbados (Gov. of) 13½% Ln. '15 6.75p
Barings 9¾% Non Cm. Pf. 4.875p
Baynes (Charles) Cv. Non-Cm. Pf. 2.9p
BICC Cap. Fin. 10.75% Cv. Cap. '20 5.389726p
Birmingham Corp. 2½% (in or after) '26 £1.25
Do. 3% 1947 £1.50
Do. 3% 1932 £1.50
Do. 3½% 1946 £1.75
Do. Gas Annuities 50p
Do. Water Annuities 50p
Blackburn Corp 3½% Irred £1.75
Do. 4% Cns. Db. Irred. £2.00
Blockleys 6% Cm. Pf. 1.05p
Boosey & Hawkes 5½% Cm. Rd. 1st Pf. 1.925p
Do. 7% Cm. Pf. 2.45p
Calgary & Edmonton Rlwy 4% Db. (2002) £2.00
Can. Pacific 4% Perp. Cons Db. £2.00
Capital Inds. Cv. Rd. Pf. 01/05 4p
Coastal Corp. $0.10
Commercial Union 3.5% Cm Pf 1.75p
Crane Europe 5½% Cm. Pf. 1.925p
Elliott (B) 3.15% Cm. Rd. Pf. 1.575p
FII 7.7% Cv. Rd. Pf. 95/99 3.85p
First Chicago $0.55
Fleming O'seas Inv Tst 4½% Perp. Db. £2.25
Friendly Hotels 4¾% Cv. Rd. Pf. 2.375p
Do. 7% Cv. Rd. Pf. 3.5p
Do. 11⅛% 1st Mtg. Db 2015 £5.5625
Fuller Smith & Turner 4.2% Cm. Pf. 2.1p
Do. 8% 2nd Cm. Pf. 4p
Grand Metropolitan 5% Cm. Pf. 1.75p
Do. 6¼% Cm. Pf. 2.1875p
GTE $0.47
Hartlepool Water 24p
Hull Corp. 3½% (1st issue) £1.75
Iceland Cv. Rd. Pf. 2.75p
Illingworth, Morris (S) 4½% Cm. 1st Pf. 1.575p
ITT $0.495
Kenning Motor 5½% Cm. Pf. 1.925p
Do. 7% Cm. Pf. 2.45p
Kensington & Chelsea 11.15% Rd. '06 £5.575
Leeds Corp. 2½% Rd. (1927 or after) £1.25
Do. 3% Db (in or after 1927) £1.50
Do. 5% Irred. £2.50
Lee Valley Water 5% Irred. Db. £2.50
Lilleshall 5% Cm. Pf. 1.75p
Do. 9% Cv. Rd. Pf. 4.5p
Lincoln 3% Rd. (in or after 1919) £1.50
Liverpool Corp. 2½% Rd. (in or after 1923) £1.25
Do. 2¾% Rd. (in or after 1925) £1.375
Do. 3½% £0.875
Lowland Inv. 11¼% Db. '10 £5.625
MAI Cm. Pf. £3.125
MEPC 10¾% 1st Mtg Db. 2024 £5.375
Mersey Docks & Hbr 3⅝% Irred. Db. £1.8125
Do. 6⅝% Rd. Db. 94/97 £3.3125
Mucklow (A & J) 11½% 1st Mtg Db. 2014 £5.75
Murray Inc Tst. 4.25% 2.125p
New Brunswick Rlwy 4% Perp. Cons. Db. £2.00
Newcastle-Upon-Tyne Corp. 3½% Irrd. £1.75
Oldham Corp. 4% Db. £2.00
P & O 6.75% Cv. Rd. Pf. 3.375p
Port of Lon. Authority 3% Port of Lon. A 29/99 £1.50
Powell Duffryn 4⅝% Cm. Pf. 0.83125p
Reading Corp. 3% (1962 or after) £1.50
Reckitt & Colman 5% Cm Pf 1.75p
Renold 6% Cm. Pf. 2.1p
Rep New York $0.33
Russell (A) 5.75% Cm. Cv. Rd. Pf. 2.875p
Saatchi & Saatchi 6% Cv. Un. Ln. '15 £3.00
Sears 7% A Cm. Pf. 2.45p
Do. 7½% Cm. Pf. 2.625p
Do. 12½% Cm. Pf. 4.375p
Shoprite Fin. (UK) Cm. Pf. 2009 3.9375p
Simon Eng. 4% Cm. Pf. 94/96 2p
Do. 5.4% Cm. Pf. 2.7p
Do. 6% Cm. Pf. 2.1p
Do. 6.35% Cm. Pf. 1991/96 3.175p
Do. 7.75% Cm. Pf. 1992/97 3.875p
Simons 7½% Cm. Pf. 2.625p
Smith (J)(Field Head) 5½% Cm. Pf. 1.925p
Sth. Australia 3% Cons. Inscribed (1916 or after) £1.50
Southend Prop. 5½% Cm. Cv. Rd. Pf. 2.75p
Do. 8% Cv. Un. Ln. '20 £4.00
Sunderland Corp. 3% Funded Debt. Ann. £1.50
Do. 4½% £2.25
Swansea Corp. 3½% £1.75
Three Valleys Water 4% Irrd Cv Db £2.0
Do. 3½% Irrd Db £1.75
Do. 4% Irrd Db £2.0
Do. 4% Irrd Db (1994) £2.0
Do. 5% Irrd Db £2.50
Do. 5% Irrd Db (1994) £2.50
Do. 10% Rd Db 1996/98 £5.0
Toronto Grey Rail. 4% 1st Mtg. Bds. £2.00
Town Centre Sec. 9% Cv. Un. Ln. 96/2000 £4.50
Xerox $0.75
York Waterworks 5% Db £2.50
Do. 11.8% Rd. Db. 1995/97 £5.90
Young & Co's. Brewery 3½% Irrd. Mtg. Db. £1.75

UK COMPANIES

■ **TOMORROW**
COMPANY MEETINGS:
River & Mercantile Extra Income Trust, New Connaught Rooms, Great Queen Street, W.C., 12.00
TR Far East Income Trust, 5th Floor, 3 Finsbury Avenue, E.C., 12.00

■ **FRIDAY**
DECEMBER 29
COMPANY MEETINGS:
Creston Land & Estates, 34 Grosvenor Gardens, S.W., 12.00
Jupiter European Investment Trust, 197 Knightsbridge, S.W. 11.30

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meetingto approve the preliminary results.

THE
DAVID THOMAS
PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

The theme for the 1995 prize, worth not less than £3,000, is: DOES FREE TRADE THREATEN THE ENVIRONMENT?

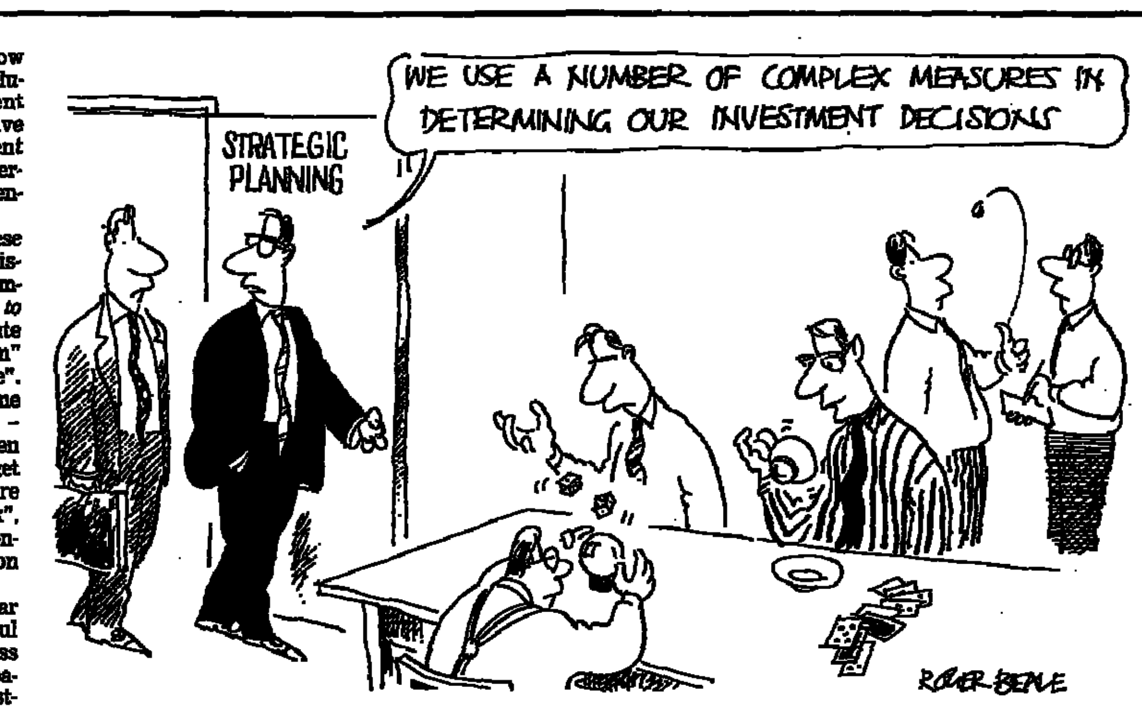
Applicants, aged under 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

CLOSING DATE JANUARY 6 1995

APPLICATIONS TO:
ROBIN PAULEY, MANAGING EDITOR
THE FINANCIAL TIMES (L)
NUMBER ONE SOUTHWARK BRIDGE
LONDON SE1 9HL

MANAGEMENT



Beyond the numbers game

Tony Grundy and **Keith Ward** say there are nine key principles to ponder when appraising investments

Most managers know something about valuing key investment decisions. They have frequently heard of net present value, discounted cash flow, internal rate of return, payback and sensitivity analysis.

Yet in management practice these financial tools are so often distorted, degenerating into a "numbers game". An *Alternative Guide to Corporate Finance* might translate NPV to "numbers prevent vision" and DCF as "deliberate cash fudge". "Sensitivity analysis" might become "insensitivity analysis" (that is – knowing the right answer and then playing with the assumptions to get there). "Payback" might be more suitably translated as "pray-back", emphasising managers' fear of longer-term uncertainty in decision making.

On this page earlier in the year (February 9) Elroy Dimson and Paul Marsh of the London Business School suggested that many companies are in danger of under-investing because they are applying too high a cost of capital. The numbers game has thus become a corporate ritual, even though the financial environment has changed.

But could it be that some of the bias towards unduly high hurdles of cost of capital is due to the very limitations of the business and financial assumptions which managers make? Our own research of five large corporations has highlighted that there are many not-so-obvious reasons why managers may be looking at investment decisions using the wrong lens.

Applying the appropriate cost of capital may be important but it is not nearly as important as identifying the underlying sources (or "drivers") of value. These are typically whether the investment decision exploits an inherently (and sustainably) attractive opportunity; or where it builds from; or on some area of competitive advantage; or where there are tangible and measurable synergies. Possibly it is based on some area of distinctive implementation capability. Finally, it might be a function of simple, good timing.

These tests – attractiveness, competitive advantage, tangible synergy, implementation and timing – can be used to probe the softer drivers of value which our research study explored.

We conducted in-depth studies with small groups of managers in five leading organisations – Rolls Royce Aeroengines, International Distillers and Vintners (part of Grand Met), Post Office Counters Business, London Underground and BP. From managers' point of view there were three main problems or "curses" surrounding investment appraisal – uncertainty, intangibles and interdependencies.

Together these problems far outweighed those associated with the cost of capital.

The uncertainties included not only external uncertainty (such as the economic, regulatory and competitive environment), but also internal uncertainties (such as implementation capability, management's commitment and intent).

Intangibles turned out to pose particularly acute problems for managers. These are often seen as the "no go" areas of financial analysis, and covered a "wide range of value, from improving customer service through to defending against competitive erosion and areas of future opportunity.

We found that almost all intangibles could be subjected to some form of targeting, even if only by way of indicators. Our argument goes – if we can't think of any world in which value might be harvested, then intangibles don't really have genuine value at all.

Finally, we discovered that most project decisions faced by managers were not like the "stand alone" projects described in traditional financial texts. They are interdependent with the business areas or with other projects coming on stream. It seemed sensible, often, to appraise them as part of a larger set when these interdependencies were complex, rather than in isolation. The issue of interdependencies needs to be tackled on a case-by-case basis, again by understanding the key value drivers (internal and external) – and how these are linked.

We are not saying improved, and more balanced, analysis alone will dissolve the numbers game

We discovered that in those instances where managers found decision-making intractable, those decision zones became much clearer if coupled with strategic thinking to fit the project to the business strategy. A simple way of forging closer links was to specify strategic objectives for each project, and to do this explicitly rather than implicitly.

During the action research study, managers gained further insights by asking questions such as "if we have a project with X million pounds NPV, how does this exploit market imperfection for advantage? Is it because it exploits a particularly attractive market segment (and if so, for how long)?

Or is it because we have a wonderful, and sustainable, competitive advantage? Or is it because we have synergies (killing two birds with one stone), or have some very powerful innovation? These tests can be used to explore each decision and challenge the assumptions underlying project value.

By probing the three areas of uncertainty, intangibles and interdependencies through strategic thinking much of the strain on the financial numbers dissolves. This reduces the temptation to use the unnecessarily high hurdle rates of return which Dimson and Marsh highlight.

What we are not saying is that improved, and more balanced, analysis alone will dissolve the numbers game. Better strategic and financial analysis needs to be supported by two things.

First, it requires a more open process of debate on key decisions, for instance using workshop or learning approaches rather than bureaucratic meetings as a primary evaluation tool.

Second, it requires more challenge by senior management (and not less) to reshape the project to add more value or to achieve similar value at lower cost and risk.

Too often, the testing of a business case becomes akin to a legal battle between defence and the prosecution.

This climate does everything to dissuade open debate of the assumptions which a learning process using key strategy and financial tools implies.

Managers may find it fruitful to ponder nine key principles which help lift investment appraisal above the numbers game.

- Identify the most appropriate level of analysis (this may be the project itself, a group of projects or possibly the business unit strategy – based on an analysis of the interdependencies).
- Explore the key value drivers which have an impact on the project (including the competitive environment, margin potential, cost base, quality of implementation, timing).
- Evaluate the key sources of external and internal uncertainty.
- Where intangibles exist, target them and set measures (if not primary, financial measures, then secondary, operational or competitive measures).
- Where value is of a contingent nature, then examine the conditions under which this value might arise and the likelihood of it crystallising.
- Where value is protective or defensive, explore how this value can be gained at least cost and through what other options.
- Compare a basket of financial measures (including both NPV and payback) and ensure that short-term goals don't drive out longer-term goals, and vice versa.
- Generate challenge in the decision process by openly exposing key assumptions and uncertainties through learning workshops.
- Use management challenge in a supportive way to re-shape the project: a project not initially passing the net present value test may still be worth pursuing.

**Managers' Perspectives on Making Major Investment Strategic and Financial Appraisal, British Journal of Management, Vol 4, December 1993, Grundy A N and Johnson G. Also Corporate Strategy and Financial Decisions, Grundy A N, Kogan Page, 1992.*

Tony Grundy is associate in financial strategy and Keith Ward is professor in financial strategy at Cranfield School of Management.

Ian Hamilton Fazey on the perils of initiative fatigue

Change for change's sake

Initiative "fatigue" is creeping into some British companies. A study of innovation and the initiatives designed to encourage it suggests that some managers have been more concerned with change for the sake of it rather than actually achieving anything.

The research is by Bob Sweeting of the School of Management at the University of Manchester Institute of Science and Technology, who has been looking at whether government-sponsored initiatives and agencies trying to change the industrial infrastructure really do work.

Sweeting says initiative fatigue is characterised by a fall in morale as one innovative initiative follows another with little or no apparent benefit for the effort of making the changes. This leads to change becoming an end in itself.

Worse, those in charge, or closely related to the changes, institutionalise the process to justify themselves, so that the initiatives become catalysts for empire building. This in turn leads to something even worse.

"The same people also become celebrities, much called upon by outside agencies to talk to others about the changes . . . this becomes very time-consuming," Sweeting says.

"There was a clear feeling among managers that a balance was required between giving innovative changes credibility, visibility and support, while keeping a clear view of what the business was all about and what customers really needed and were prepared to pay for – and in sufficient quantities to ensure financial viability and achieve growth objectives for the company."

Previous research by Sweeting into new accountancy techniques demonstrated that some managers embrace novel methods in search of panaceas, rather than through understanding their problems and how – or whether – to use the new techniques to solve them.

"Innovation" seems to attract many of the same followers. The more knowing among interviewees had learned from experience that innovation in itself was no substitute for a well-rounded, grounded and robust business approach. Sweeting says: "Some companies highlighted as exemplars of manufacturing process excellence were at the same time struggling for commercial survival."

Sweeting says the local social, cultural and business environment often plays a large part in success. Entrepreneurship is driven by a common culture, or shared attitudes. Sometimes these are based on an elitist group, or a family network, or widespread educational attainment. A modern example is Silicon Valley; an earlier one lies in north-west England during the industrial revolution.

'Constant change blunts enthusiasm and reduces the chance of new initiatives working'

"A dynamic period of change in recent decades has left manufacturing industry in north-west England disoriented and ill-positioned. However, one of the key findings of this study is that it is vital to prevent initiative fatigue. Constant innovative change blunts enthusiasm and reduces the chance of new initiatives working," Sweeting warns.

He says "management socialising" can play a part in improvements as networks form and people understand better why initiatives work or fail and which might be best for them. He also thinks the government should support a guide to agencies charged with promoting innovation, to help companies shop around for the most appropriate.

Too many agencies have secure funding for their first two or three years only. They begin by doing what they are supposed to for 90 per cent of the time but later spend a similar amount of time trying to secure further funding as the money runs out.

CONTRACTS & TENDERS

PERSONAL

COMPANY NOTICES

The good, the bad and the positively eccentric

Christopher Dunkley looks back at television programmes over the last 12 months

In 1994 television brought us the BBC's excellent adaptation of *Middlemarch* but also *The National Lottery Live*. People groaned at the mindlessness of the game-show-from-hell, *Don't Forget Your Toothbrush*, and stayed silent, mostly, about the excellence of *Watergate*, which finally revealed the astounding details of the most bizarre affair in modern American politics.

Phil Agland, previously known for the unforgettable *Baka, People Of The Rain Forest*, went to China and made a superb series called *Beyond The Clouds*, about everyday events in a country town, which proved that some aspects of life (the generation gap) are universal, while others (attitudes towards medicine) vary dramatically between countries. Little was said about it. In other words, television was, as ever, providing the good and the bad and, as ever, being noisily attacked for the bad and rarely praised for the good.

Perhaps it is just human nature. For some reason, when you sit down at the year's end to prepare any sort of audit, it is the disappointments which spring to mind. Who can forget, for instance, the cascade of lamentable comedies throughout the year, with far too many contributed by BBC1: *Nelson's Column*, set in a newspaper office; *Honey For Tea* in which the previously indefectible Felicity Kendal came a cropper, playing an American matron in a Cambridge college; and *Nice Day At The Office* which was so dreadful that you had to watch several episodes to make sure that there was not something subtle going on which you had missed. There was not.

Of course BBC1 was not alone. BBC2 piloted a comedy called *The High Life* about the squabbling members of an insufferable cabin crew on a Scottish airline. Seeing how appalling it was, someone has commissioned six more episodes to start in the new year. ITV had fewer comedy failures, largely because they had fewer tries, but *Mother's Ruin*, set in an alternative health shop, with Dora Bryan playing the tippling mother of a middle aged son (Roy Barraclough, fresh out of *Coronation Street*) was so old fashioned that it was sometimes unintentionally funny. You could hardly blame ITV's *House Of Windsor* for damaging the reputation of the royal family, given the greater damage done throughout the year by the members of the family themselves – not least via ill-advised television programmes – but this was not the most sophisticated comedy ever seen on television.

Comedy was not a complete disaster area, but several of the year's best series turned out to be remarkably old. With a bit of editing to bring the shows down to 40 minutes, the BBC proved in *Morecambe And Wise: Bring Me Sunshine* that those who suspected the old hoofers would outshine any of their successors were absolutely right. And *The Lost Steptoes* similarly confirmed that there is nobody writing television comedy in Britain today who even aspires to creating the sort of complexity or subtlety of relationship which Galton and Simpson achieved via Wilfred Brambell and Harry H. Corbett.

The best of the 1994 comedies were *The Day Today* which fed off the crassness of television itself, and *Rory Bremner – Who Else?*, a show which gets more topical and more sinewy with each series.

There were plenty of other let downs. Channel 4 had the praiseworthy idea of commissioning three new "operas" for television which, in the event, looked as though they set out deliberately to confirm all the worst expectations of operaphobes, being pretentious, unmelodious and silly. The first major piece of drama actually produced by Sky 1 rather than being bought secondhand, *Red Eagle*, was a run-of-the-mill thriller with poor direction and (consequently, perhaps) poor acting.

Horizon, one of the most consistently admirable series, celebrated its 30th birthday with the most daft and incomprehensible edition I have ever seen. *Between The Lines* slithered from first to third rate when it bafflingly abandoned the setting of an internal police investigation division and became just another crime series.

However, looking back through a year's notebooks it is fascinating to find how much good material has failed to spring to mind. Take drama series, the category used by ITV to sustain the centre of its evening ratings. Most of their series about doctors, policemen and so on, were pretty ho-hum, but the nine o'clock ITV slot also contained *Sharpe*, with Sean Bean swashing his buckle through the Peninsular War; *Finney* in which David Morrissey played the reluctant gangster who just wants to be left alone to strum his double bass; and, best of all, another excellent run – the best yet – of *Cracker*, with Robbie Coltrane playing the psychologist-detective. Politically correct rightsists attacked it for being anti-black, anti-woman and anti-soccer, but the people at Granada stuck to their guns, knowing that they were protected by the quality of the drama and by the fact that you only had to wait to find that it was, on balance, pro-black, pro-woman and pro-soccer.

In the same category the BBC offered us Richard Griffiths – larger even than Coltrane – as the would-be retired detective who only wanted to be left alone to run his terribly English restaurant in *Pie In The Sky*; a medical series called *Cardiac Arrest* which was said to be an insult to the medical profession, but which seemed, to some of us who have worked in hospitals, to be only too horribly accurate; and the all-human-life-is-there saga of the dustmen – whoops, refuse operatives – *Common As Muck*. Most undervalued and least noticed was probably *Takin' Over The Asylum*, an autumn series on BBC2 which managed to move beyond television's previous stereotypes.

Patrick Malahide and Juliet Aubrey in the BBC's successful adaptation of George Eliot's 'Middlemarch'; and old Morecambe and Wise shows outshone any new attempts at comedy programmes

Good documentaries were thin on the ground, though *Secret History* offered an interesting revisionist version of the dam busters' raid, and Edward Mirzoeff brought us an eye-opening account of Britain's ice dance champions, *Torvill And Dean: Facing The Music*, which revealed that Mr Dean ran the partnership with a rod of sarcasm. It was the attempt by Torvill and Dean to win another Olympic gold medal which produced not only the highest rating for an unrepeated programme in 1994, but the highest in a decade: they attracted 23.95m viewers. *The National Lottery Live* which we were assured beforehand would achieve huge figures actually managed 20.2m in the first week, 18.5m in the second, and by week three had slipped to fifth place in the national Top 10 with 15.7m.

The two strongest documentary series were both on BBC2: *White Heat* which looked at the development of technology and the way we have reacted to it; and *The Fall Of The Wall* which investigated the detail of the events leading up to the fall of the Berlin wall and proved, yet again, just how compelling detail can be. BBC2 also had a powerful showing in current affairs series. *Heretic* introduced us to scientists whose ideas did not win the approval of their peers, a failure as damaging in science as in religion. *The Trial* took British television cameras inside British – actually Scottish – courts for the first time. And *Midnight Hour* provided a forum for the discussion of the day's politics.

We saw the last of *Minder* and *That's Life!*, but Esther Rantzen was pretty soon back on screen with a daytime studio agony show – called *Esther*, of course – which is already better than the odious Kilroy-Silk thing (what isn't). It and Ms Rantzen have some way to go before it begins to challenge the American originals such as *Donahue*.

The year brought a *Commonwealth Games* and a football *World Cup* to keep the sports departments, if not British fans, happy. And *Question Time* dispensed with the services of Peter Sissons, took on David Dimbleby, and dished out "Yes, No, Don't Know" keypads to the audience. None of which made any difference. This was also the year when television almost ceased to transmit bright, cheery programmes about Aids in which dim personalities claim "We're all equally at risk now".

The best arts programme of the year was the poignant and moving interview in *Without Walls* between Melvyn Bragg and the most important British dramatist (not merely "television dramatist") of our generation, Dennis Potter. He was, he told us, dying of cancer, and he swigged morphine from a flask with a bravura that made you want to cheer and weep. Weeks later he was gone, having raced death in his final months to leave us two drama series, *Karaoke* and *Cold Lazarus*, which we are to see in 1995. Other memorable arts programmes included a *South Bank Show* celebrating the life and work of Larry Adler and George Gershwin; an *Omnibus* on the astonishing working methods of actor Robert Stephens; and Channel 4's coverage of the building of the new Glyndebourne theatre and the opening performance of *The Marriage Of Figaro*.

If obliged to make awards mine would go to four eccentric marvels. First, from January, Jonathan Meades' splendidly unclassifiable series *Further Abroad* which offered engrossing and hilarious programmes on vertigo, brewers, golf and pigs. Next, also from the start of the year, *The Unpleasant World Of Penn And Teller*, which combined comedy and conjuring with quantities of bad taste and endeavoured to give away many of the tricks of the protagonists' trade. Third, *Billy Connolly's World Tour Of Scotland* in which a fond travelogue was married to some foul-mouthed and yet hilarious stand-up comedy routines. And fourth, Christopher Hitchens' hatchet job on Mother Teresa in *Without Walls*, a programme which kept alive the libertarian ideal of real freedom of speech rather than the wan little imitation which we know so well.

Roll on 1995, when cable comes to our street. Let a thousand channels flourish!

Obituary

Playwright's talent for angry words

John Osborne, who has died at the age of 65, made an unforgettable mark in the British theatre with the first performances of *Look Back In Anger* at the Royal Court in 1956. Although he went on to write other memorable plays and produced two volumes of autobiography, nothing can compare with that first, heady triumph.

Osborne had been a reporter and an actor. By the early 1950s he had also written several plays, though without success. Even *Look Back In Anger* had been turned down by agents and managements throughout the country. Then Osborne saw a notice in the *Stage*, saying that the newly-formed English Stage Company under the artistic direction of George Devine was looking for new works.

Along with some 750 other applicants, he sent in his text. *Look Back In Anger*, which Osborne said he wrote in 12 days in May 1955, was the only one selected for performance. Even then acclaim was not immediate. Derek Grainger of the Financial Times was one of the few critics on a national daily to admire the piece on the first night.

The Sunday papers treated Osborne better. In a famous article in The Observer, Kenneth Tynan wrote of the play presenting "post-war youth as it really is, with special emphasis on the non-U intelligentsia who live in bed-sitters ... All the qualities are there, qualities that one had despaired of ever seeing on the stage – the drift towards anarchy, the instinctive leftishness, the automatic rejection of 'official' attitudes, the surrealist sense of humour".

Jimmy Porter, the hero or anti-hero of the play, began to be seen as the spokesman for the younger generation. Yet Osborne had been lucky in his timing. Neither he nor Jimmy Porter was the first of the "angry young men", as they came to be called.

Kingsley Amis had already established a new post-war irreverence with his novel *Lucky Jim* in 1954 and for a while the angriest young man of them all seemed to be the now almost forgotten Colin Wilson for his literary and philosophical study, *The Outsider*. Where Osborne scored was to do it on stage: where all of them gained in publicity was in the way they were taken up by the popular press.

Tynan was also wrong in one main respect: there was no "instinctive leftishness" about Osborne. Like most of the other angry young men, he moved steadily to the right and may not have been far away in the first place. *Look Back* is about changes in generational and social attitudes; there is nostalgia as well as anger. An important line comes when Alison, the upper class wife of Jimmy Porter, explains to her father, who has spent most of his life in India: "You're hurt because everything is changed. Jimmy is hurt because everything is the same. And neither of you can face it. Something's gone wrong somewhere, hasn't it?"

The success of *Look Back* led to suggestions at the time that there had been a revolution in the British theatre: the kitchen sink was in, the drawing room was out, and certainly the plays of Terence Rattigan and William Douglas-Home fell out of fashion.

Osborne went on to other successes. He attracted great actors: Laurence Olivier in *The Entertainer*, a play comparing the decline of the music hall to the decline of Britain, the young Albert Finney in his most cerebral play, *Luther*, and Nicol Williamson in *Inadmissible Evidence*, recently revived with a different actor at the National – a theatre that Osborne claimed never much to have liked. He also wrote the screenplay for *Tom Jones*.

Much of his reputation was for invective: from the tirades of Jimmy Porter to some of the passages in his autobiographies about his mother, whom he publicly disliked, and ex-wives. Yet at his best he was simply a good writer with a talent for the stage. His last play, *Déjàvu*, a revisiting of Jimmy Porter more than 35 years on, was performed at the Comedy in 1992 and received less praise than this critic thought it deserved. Fashion had changed; by then Rattigan was back in London.

A small annual tribute will continue to be paid to him in the St Valentine's day messages from bears and squirrels in the newspapers. That was just like Alison and Jimmy when they clicked, though for that Osborne was derided by some at the start.

He is survived by his fifth wife, Helen Dawson, and one daughter. He was previously married to Pamela Lane, Mary Ure, Penelope Gilliatt and Jill Bennett.

John Osborne, who has died aged 65, was credited with sparking a revolution in British theatre

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● European Baroque Orchestra: Wieland Kuijken conducts Telemann, Muffat and Bach at 8.15 pm; Jan 8
● Royal Concertgebouw Orchestra: with violinist Sarah Chang. Charles Dutoit conducts Berlioz, Lalo, Stravinsky and Ravel at 8.15 pm; Jan 4, 5, 8

■ BERLIN

CONCERTS
Philharmonie Tel: (030) 2548 8132
● Berlin Philharmonic Orchestra: with conductor Claudio Abbado and soloists Sylvia McNair, Ulla Gustafsson play Schumann at 8 pm; Dec 30, 31 (5.15 pm)

■ BRUSSELS

CONCERTS
Philharmonique de Bruxelles Tel: (02) 507 84 34
● Monnaie Symphony Orchestra: with the Monnaie Choir conducted by Antonio Pappano plays Brahms at 8 pm; Jan 8

■ BOLOGNA

OPERA/BALLET
Teatro Comunale Tel:(051) 529999
● Serse: by Handel. An English National Opera of London production at 8.30 pm; Dec 30; Jan 3, 5, 8

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● LSO New Year Viennese Concerts: conducted by John Georgiadis, the music of Strauss in this traditional celebration of the New Year at 7.30 pm; Dec 31; Jan 1, 2
● Royal Philharmonic Orchestra: conducted by Bramwell Tovey plays Mendelssohn, Handel, Bruch and Beethoven at 8 pm; Jan 7
Festival Hall Tel: (071) 928 8800
● Johann Strauss Gala: the Johann Strauss Orchestra with director John Bradbury, soprano Marilyn Hill-Smith and the Johan Strauss Dancers plays a programme of music by Strauss. First performance at 3.15 pm, then at 7.30 pm; Jan 1

GALLERIES
Hayward Tel: (071) 261 0127
● Romantic Spirit in German Art 1790-1990: examines work of early Romantic painters. Includes section on German Expressionists; to Jan 8
Serpentine Tel: (071) 402 0343
● Rebecca Horn: major exhibition of works by the German artist including, 'Kiss of the Rhinoceros'; to Jan 8
Tate Tel: (071) 887 8000
● James McNeill Whistler: major survey of the Victorian painter and designer; to Jan 8

OPERA/BALLET
Festival Hall Tel: (071) 928 8800
● The Nutcracker: by Tchaikovsky. English National Ballet and its Orchestra choreographed by Ben Stevenson at 7.30 pm; to Jan 2 (Not Sun)
Royal Opera House Tel: 071 340 4000
● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Dec 30, 31; Jan 3
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 5
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Dec 28; Jan 4 (2 pm)

THEATRE
Barbican Tel: (071) 638 8891
● New England: World premiere of Richard Nelson's new play. No performance 12-15th Dec., otherwise at 7.15 pm; to Dec 29 (Not Sun)
National, Lyttelton Tel: (071) 928 2252
● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Jan 7 (2.15 pm)
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Dec 28, 29 (2.15 pm), 30, 31 (2.15 pm) ; Jan 2, 9
Queen Elizabeth Hall Tel: (071) 928 8800
● Cinderella: by Rossini. The Music Theatre London present this new translation by conductor and musical arranger Tony Britten, and director Nicholas Broadhurst at 7.15 pm; to Jan 3 (Not Sun)
● Rossini's Cinderella: new translation by conductor Tony Britten and director Nicolas Broadhurst at 7.15 pm; Jan 2 (2.15 pm) , 3

■ NEW YORK

GALLERIES
Brooklyn Museum Tel: (718) 638 5000
● Indian Minature Paintings: 80 jewel-like paintings from the 15th -19th century; to Jan 8 (Not Mon)
Metropolitan
● Ann Hamilton: exhibition reveals the artist's interest in the relationship between sight and touch; to Jan 3
● Origins of Impressionism: 175 paintings by Parisian artists of the 1860's; to Jan 8 (Not Mon)
● William de Kooning's Paintings; to Jan 8 (Not Mon)

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Dec 29, 31; Jan 5, 7
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 2, 6, 9
● Madama Butterfly: by Puccini at 8 pm; Dec 30; Jan 4, 7
● Peter Grimes: by Britten. English at 8 pm; Dec 28, 31; Jan 3
New York State Theater Tel: (212) 870 5570
● The Nutcracker: by Tchaikovsky, performed by the NY City Ballet. Tue-Thu 6pm. Fri 8 pm. Ring for other times and matinees; to Dec 31 (Not Mon)

THEATRE
Manhattan Theatre Club Tel: (212) 581 1212
● Love! Valour! Compassion!: latest play by Terence McNally (of Kiss of the Spiderwoman fame), directed by Joe Mantello. Sun. performance at 7pm otherwise at 8 pm; to Jan 1 (Not Mon)
Richard Rodgers Theatre Tel: (212) 307 4100
● A Christmas Carol: engaging one man show of the classic with Patrick Stewart at 8 pm; to Jan 8

■ PARIS

GALLERIES
Grand Palais Tel: (1) 44 13 17 17
● Gustave Caillebotte: retrospective of the painter and patron of art who belonged to the circle of Impressionists; to Jan 9
● Poussin: 400th anniversary retrospective; to Jan 2
Musée d'Orsay Tel: (1) 45 49 11 11
● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Christina Hoyos: Flamenco choreographed by Hoyos, Marin and Galla, music by Paco Arrigas at 8.30 pm; to Jan 7
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Nutcracker: Tchaikovsky's ballet performed by the Kirov ballet company, St. Petersberg at 8.30 pm; Dec 28, 29, 30, 31
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Swan Lake: by Tchaikovsky. Choreographed and produced by Rudolf Nureyev. Conducted by Vello Pähn/Ermanno Florio at 7.30 pm; to Dec 31 (Not Sun)

■ WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 467 4600
● New Year's Eve at the Kennedy Center: Members of the National Symphony Orchestra perform popular tunes and waltzes at 9 pm; Dec 31
GALLERIES
National Gallery Tel:(202) 737 4215
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OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 7 (7 pm) , 9 (7 pm)
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 7 pm; Dec 31; Jan 2, 8 (2 pm)
THEATRE
Arena Stage Kreeger Theater Tel: (202) 554 9066
● Misalliance: by Bernard Shaw, directed by Kyle Donnelly; to Jan 8
Olney Tel: (703) 924 3400
● Cinderella: Rogers and Hammerstein musical version of the classic fairytale, directed by Mark Waldrop at 7.30 pm; to Dec 31

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Sky News: FT Reports 0230, 2030
SUNDAY
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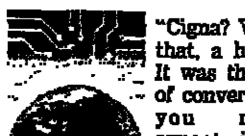
Fibre optic bridge

A tiny Irish village has a role in US health care, says John Murray-Brown


The power of communications

"Cigna? What's that, a horse?" It was the sort of conversation you might expect in an Irish pub as Saturday night slipped into Sunday morning. In Pat Barret's, one of Loughrea's favourite hostelries, surprisingly few people seem to know about the American healthcare company installed among the dry stone walls next to the Gaelic Athletic Association.

Like the Burt Lancaster character in *Local Hero*, who descends on a remote Scottish village with big business plans, Cigna is something of a mystery to many of the 3,500 inhabitants of this west of Ireland town close to the sea.

"The only thing I know is that my wife plays bridge in a group called the Cigna pairs," says Joe, as he passes round a plate of crab claws.

Bertie Donoghue, local correspondent for the Connaught Tribune, who for 54 years has in his own words "chronicled the passing parade", says: "It comes over by satellite every day, some kind of hospital accounts I think, and they send them back mostly by computer... Gives a lot of young ladies a lot of hope."

Cigna is, in fact, one of several US companies that have set up back offices in the heart of the Irish countryside, reducing their wage bills thanks to advances in telecommunications.

The office handles around 5,000 medical claims a day, equivalent to 20 per cent of Cigna's business. The paperwork – from doctors, patients and corporate clients across the US – is flown to Shannon from New York's John F Kennedy airport, collected by courier and driven to Loughrea. It is then entered into the computer, and transmitted through two dedicated optic fibre cables back to Cigna's headquarters in Delaware, where, because of the time difference, it arrives in time for the following day's business.

Catherine Hynes, the office manager, believes that one of the reasons the operation is so little understood locally is that it is an office, rather than a factory.

"Five years ago there was nothing. All of a sudden this American company arrives. There was some anxiety over whether it was going to take off. Ireland has had some manufacturing. But the office environment is different," she says. "There is also still a myth out here that office work is more suited to women."

But Cigna is now Loughrea's largest employer, with a staff of 88, and office skills have come to the fore.

Michael Bond, headmaster of St Brigid's vocational school, one of two schools in Loughrea, admits to knowing nothing about computers himself, but St Brigid's has been offering evening classes on information technology and secretarial skills for some years.

"I am a geography teacher and I know how much a service industry can do. I welcome it," Mr Bond says. "Our history is that we always went away for work. Now parents want to see their children stay."

'We would prefer an indigenous company but, if one gives work, it gives work'

Others are more sceptical about the gains from operations based on telecommunications. The average starting salary at the Cigna office is I£7,000 (£7,000). "They are in a buyer's market: there are 300,000 out of work in Ireland," says Maurice Sweeney the local travel agent, and head of Loughrea's fishing club. Any company that relocates its back office is doing so to keep wage costs down and will be willing to go anywhere, he says. "They can hire and fire at their leisure."

Loughrea certainly has cause to be wary of the longevity of foreign investments. Courtaulds, the UK textile group, was producing locally in the 1950s. Hohner, the mouth organ manufacturer, also had an operation nearby. Both have long since closed down.

There were even rumours of cuts at the Cigna office, when US President Bill Clinton was applying pressure to get his health bill past Congress, but, by all accounts, Ms Hynes fought Loughrea's corner.

"We would prefer if it was an indigenous company but, if it gives employment, it gives employment. The Americans make them work hard, no doubt," says Rodney Donnellan, newsagent and local town commissioner.

In Loughrea, there are some 800 people collecting benefit, and Ireland has the second highest unemployment rate in the European Union. Young people have traditionally moved away in search of work. But opportunities are scarce these days. There are fewer jobs available in the UK, and it is becoming increasingly tough to get work visas in the US, except under the so-called Morrison scheme, a lottery which provides a few hundred visas every year. "It is easier to win the pools," says Richard Reilly, father of four and a local painter and decorator.

Many locals used to work in Dublin during the week, coming home only at the weekends. "It used to be so sad to see all the young people lined up on a Monday morning taking the bus to Dublin," says Mr Michael Chambers, manager of the local branch of Allied Irish Bank. But "Cigna is changing all that," he says

The Cigna jobs do seem to have made a difference. Home rents have gone up. Declan Keary, the local auctioneer, says: "We always used to have a few properties on our books, now we have none."

At the Skillet, one of Loughrea's 33 pubs, Willy Burke has converted his top floor into new apartments. The town council is considering reopening the local cinema, an old linen hall donated to the town by Lord Lascelles in British times. A new lease of life at the Temperance Hall, a former cavalry barracks, has brought performances which this year included Zorba the Greek by the Loughrea Choral and Dramatic Society. The community appears to be thriving.

Mr Terry Doyle, manager of the town's other bank, the Bank of Ireland, says of the Cigna operation: "In the early days I suppose the type of employment wasn't the best – the wage structure, for example. But it's a better place today. If we got another one it would be grand."

"I've come back," he says, "and thank God I've come back and please God I'll stay."

The prince as candidate

The heir to the British throne has come to resemble a politician running for office, argues Andrew Adonis

Prince Charles is running for office as surely as any politician fighting an election campaign. That is the inescapable conclusion to be drawn from his actions in 1994 – yet another turbulent year for Britain's royal family.

The British public and media have been slow to recognise Charles Windsor, embattled candidate for the throne of the United Kingdom and a collection of other realms and territories including Canada, Australia and New Zealand. Understandably, they have assumed that Charles will ascend the throne as a matter of course, unless he chooses to relinquish his birthright in favour of his eldest son, William – a theme of intermittent tabloid speculation but little more.

It is now clear that Charles does not see things so simply. His motives for embarking on a campaign for office can only be speculated upon: insecurity about his public standing, fear for the long-term damage done by his separation from Diana, and concern about the steadily declining reputation of the royal family are the obvious factors.

Whatever the prince's precise motives, the evidence of a carefully-orchestrated campaign is unambiguous.

The planning stage appears to have been the months immediately preceding the separation in December 1992. In the summer of 1992 the prince agreed to allow Mr Jonathan Dimbleby, a senior BBC journalist with impeccable Establishment credentials, to write an authorised biography.

The arrangement was astonishing for a public figure in mid-career. The prince gave Mr Dimbleby lengthy, intimate interviews, had him "shadow" his private and social engagements, and arranged for friends and some relatives to be interviewed discreetly. Mr Dimbleby was given unprecedented access to the prince's private and official papers, including ministerial correspondence. There was a formal agreement to allow the prince to read the manuscript and comment on "inaccuracies".

The prince's agreement with Mr Dimbleby amounted, in effect, to the preparation of a manifesto for office. Far from disguising the fact the author parades it.

In the preface to *The Prince of Wales*, published last month, he stresses his growing intimacy with Charles and his efforts to "accommodate" the prince's sensitivities. "I have learnt too much about my subject to be either indifferent or dispassionate," he writes, adding the hope that readers "will emerge at the other end feeling that they have come to know the heir to the throne as they never could before – and that he is well worth knowing."

Like an election manifesto, the book is partly a defence of the prince's record to date and partly a prospectus for office. The "defence" recites the prince's public works, and offers apologias for his shortcomings in which everything from bullying at school to unsatisfactory relationships with his father and Mrs Margaret (now Lady) Thatcher are prayed in aid. The prospectus includes a plea for the maintenance of the royal yacht and a proposal to broaden his future spiritual role beyond the Church of England (as "Defender of Faith").

The book has gone hand in hand with a media offensive. In October of last year, St James's palace told the FT that the prince was available to be "shadowed" on a week-long trip to the Middle East. The prince regards the promotion of British business as an important part of his role, and the FT was the ideal outlet for his views on the subject. It led to a full-length profile – which dominated the media – entitled: "A prince captured: The heir to the British throne believes he could be used more effectively in promoting UK plc."

The FT article was a prelude to the main event: a three-hour television documentary in June presented by Mr Dimbleby. In campaign terms, this was equivalent to the party political broadcast, although unusual in attracting 13m viewers. The manifesto was broadcast to the backdrop of appropriate action shots; and the prince, no doubt advised that it is now fashionable for candidates to come clean about peccadillos, adopted a suitably pained expression to confess adultery.


Prince Charles: wise to be alarmed about succession prospects?

As the first year of the campaign draws to a close, it is time to take stock. Is the prince a novel royal entrepreneur? And novel or not, is he wise to be alarmed about his succession prospects?

There is nothing novel in the prince's endeavours. Every century or so since the Norman Conquest serious efforts have been made to repackage the monarchy. Some, such as Elizabeth I's bid to become "Faerie Queene", were resoundingly successful; others, notably attempts by Edward II, Richard II, James II, and Charles I to seize power from established elites, were less so.

The most successful of recent royal redesigns was the creation of the modern, constitutional and ceremonial monarchy under Queen Victoria in the mid-19th century. Dubbed by historians the "invention of tradition", it was a brilliant ploy to renovate medieval royal pageantry and represent what were previously the symbols of office as its substance. Disraeli's proclamation of Victoria as "Empress of India" was the final triumph, presenting the monarchy as the emblem of imperial unity.

The monarchy has remained largely stuck in this Victorian groove. Some changes have been necessary: the Empress of India has become head of the commonwealth. But the hallmark of the current reign has been the dedication of the Queen and her advisers to the Victorian legacy. Indeed, Elizabeth II does it better than Victoria herself: the aged widow performed few public duties, rarely even opening parliament in person.

No one with historical sense can doubt that the monarchy will need to be "reinvented" in the next reign if it is to survive. But, in considering whether the prince is right to be alarmed, the peculiar feature of his manifesto is its failure to address two of the institution's greatest weaknesses: its lack of a European role, and social changes that are making the public ever less enamoured of royal flummery.

While the monarchy had excellent European credentials until the early part of this century, with Victoria related to all the Continent's leading rulers, today's monarchy has barely any European dimension.

The threat to the monarchy is insidious, not immediate. It comes from the increasing irrelevance of its role, and from steadily eroding popular respect and support. Should the erosion continue, politicians are bound to start dabbling in republicanism. A telltale sign was the call earlier this month by Mr Jack Straw, Labour's new home affairs spokesman, for a smaller, Scandinavian-style, monarchy.

More ominous, perhaps, is the growing republican tide in the former dominions. Australia looks increasingly set to hold a referendum on the future of the monarchy at the end of the Queen's reign or perhaps sooner. New Zealand may follow suit, to judge by the surprise declaration by its prime minister last March in favour of such a move.

Such referendums are bound to attract notice and stir a debate in the UK. It is not inconceivable that they would prompt calls for a vote at home too.

Another straw in the wind is the growing political popularity of referendums on important constitutional issues. If such a vote is held on a single European currency, for example, the chances of a referendum on the future of the monarchy could be increased dramatically.

Even if all this were to come to pass, the prospect of the prince losing his election must be small. However unpopular the royals, the difficulty of devising arrangements for an alternative head of state, which is currently dogging Australia's republicans, would powerfully reinforce the status quo. Yet Candidate Charles might care to ponder the proverb that, in politics, the expected never happens.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Italy taking part in EU exercise

From Mr Livio Caputo.

Sir, I refer to your editorial, "Germany's EU balancing act" (December 16), which said that "last spring France and Germany announced plans to coordinate their consecutive presidencies of the European Union, joined a few months later by Spain".

On behalf of my government, I would like to state that what was agreed last spring – that is, before the start of Germany's EU presidency – was an exercise of co-ordination among the consecutive presidencies of four countries – Germany, France, Spain and Italy – in view of the 1996 inter-governmental conference, which will be inaugurated under Italy's EU presidency.

All along, Italy – which the editorial oddly fails to mention – has participated in the above-mentioned exercise, whose first two meetings took place in Bonn on July 2 and November 2. The exercise is supposed to continue until the end of the IGC.

Livio Caputo,
under secretary of state for foreign affairs,
Rome, Italy

Traffic study not defective

From Dr Denvil Coombe

Sir, I write as an author of the report by the standing advisory committee on trunk road assessment (Sactra) on induced traffic, as a consultant who assisted the department of transport with the development of its motorway tolling policy, and as a member of the consultancy team researching congestion charging in London. Your editorial on December 21, "Sanity on the roads", was admirable in many respects, but contained some misunderstandings.

First, not all road schemes will induce significant amounts of extra traffic. Our report defined the circumstances where induced traffic is most likely to occur: essentially, where congestion is high, where traffic demand is sensitive to changes in travel costs, and where the proposed scheme would result in a large reduction in travel costs. Individual schemes in rural areas may not induce much extra traffic. It is, therefore, incorrect to say that all road schemes *should* induce extra traffic. Some do, some do not.

Second, the committee was asked by the government to advise on induced traffic, and this it has done. It is surely unfair to claim the report is defective because it does not fit the debate you wish to stimulate.

Third, however laudable your argument may be that motorists should pay a true economic cost for their use of the road system, this is not the philosophy underlying the government's motorway tolling policy. This policy is designed to raise funds for the direct use of the department of transport for promoting further road improvements. The intention is to pitch the tolls at levels which will keep the traffic diversions away from the motorways onto less safe, more congested and more environmentally sensitive local roads to acceptably low levels.

Notwithstanding this, I applaud your effort to stimulate an intelligent debate about transport policy.

Denvil Coombe,
director,
The MVA Consultancy,
MVA House,
Victoria Way,
Woking, Surrey GU21 1DD

Hard to forget 1987 crash

From Mr P R Browse.

Sir, I am sure Bob Beckman ("In the Pink: Batten down for a bear beware", December 10) would wish no help from me, but Mr H L Benjamin's letter (December 20) requires a response.

"Well-reasoned articles" deserve argued replies, not insults. Mr Benjamin has conveniently forgotten that Beckman forecast the 1987 crash *before* it happened (unlike most experts) and was publicly pilloried for forecasting the collapse of the housing market when it was at the height of its boom.

These were correct forecasts of the two most important events in recent financial history – ask those with negative equity!

P R Browse,
21 Woodgate,
Helpston,
Peterborough PE6 7ED

A mouth-watering bite

From Mr Mark Stadler.

Sir, Nick Gillies does the legal profession a great disservice with regard to the generosity of solicitors in the area of biscuits ("City thefts take the biscuit", December 20, and Letters, December 23), as this act of hospitality can yield unexpectedly profitable results for clients and staff alike.

Clifford Chance who, according to Gillies, restrict the issue of chocolate biscuits to two per head, provide Jacobs Club biscuits in their selection. Inside the wrapper is a scratch game which requires one to scratch, with a silver coin, three squares; and, if the numbers revealed match, the player wins a cash prize. I was very pleased during a recent meeting to select three matching squares and win £100. Unable to contain my surprise, I expressed joy at this good fortune, whereupon there was an unsightly scramble for the remaining biscuits.

There can be few occasions when a client leaves a lawyer's office with money in his pocket and I would urge an early visit to 200 Aldersgate Street before the senior partners institute a charge for opening the lucky wrapper.

Mark Stadler,
21 Mountfield Road,
Ealing,
London W5 2NG

A positive impact

From Mr Paul Obey.

Sir, Joe Rogaly ("Down with the lottery!", December 17/18) says the national lottery "will provide no benefit to anyone save perhaps the shareholders of Camelot".

May I suggest that the scheme acts as a welcome redistribution of available funds from the leading national fund consumers to much needed micro-projects in many communities and thus has a positive impact on the lives of countless people.

Paul Obey,
73 Humber Road,
Blackheath, London SE3 7LR

A basis for Turkey's membership of EU

From Mr Paul Papadopoulos.

Sir, Turkey has again been refused admittance to the European Union. You are right in your implication that it is in the long-term interest of western Europe (and the Turkish people) that Turkey becomes a stable state and remains pro-western ("Turkish tangle", December 21). However, even were issues such as Cyprus, Kurdistan's right to exist, and general violation of human rights within the Turkish Republic settled, Turkey would, probably, find western European statesmen would discover other obstacles to her integration within Europe.

You are right, Greece has made itself the scapegoat for keeping Turkey out in the cold. Nevertheless, much as it is in Greece's long-term interests to reach a permanent friendly accord with Turkey, Athens cannot cease to support the integrity of the Republic of Cyprus which was violated in 1974. Indeed, Greece has a moral obligation to insist on the ending of Turkey's military occupation of the island as it was a Greek junta which provided the excuse for the invasion.

It should not be forgotten that, under the Zurich agreement, the basis of Cypriot independence from British rule in 1960, Greece, Turkey and Great Britain were the guarantors of the sovereignty of the Republic of Cyprus and, as regards the Turkish military occupation since July 1974, several UN resolutions have not been satisfied. Morally, the EU (and FT editors) should support Greece's insistence on a Cyprus settlement as a precondition of Turkish entry, and not shrug the issue off as an example of (oh dearie me!) Greek intransigence.

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FINANCIAL TIMES
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France and Islam

On the technical level, the denouement of the Algerian hijack drama is an undoubted success for France, which should be a source of relief and pleasure to anyone who is likely to travel to France or use French airlines, whether for business or pleasure.

The capacity to protect its citizens against terrorism is a necessary attribute of any modern state. The French state, faced with a severe test of that capacity, has passed it with flying colours.

No such encouraging conclusion can be drawn for Algeria. The fact that this hijacking could happen at all, in what must be one of the most heavily guarded airports in the world, is one more indication of Algeria's deep political and social crisis.

It is clear that Islamic extremist groups have members and sympathisers among airport employees, as they do in other public services such as education and the post office. Algeria is in the grip of a particularly vicious civil war.

According to "well-informed sources in Paris and Algiers", quoted by the leading French newspaper Le Monde, the average death toll in the violence is now running at 800 *per week*, with "peaks" as high as 1,000 in the worst weeks of all.

France's anti-terrorist strategy is impressive; its Algerian policy much less so. Officially France is neutral in the Algerian conflict. Its spokesmen minimise, sometimes even deny, the military aid France is giving to the Algerian government. Alain Juppé, the French foreign minister, warns the government that it must not rely solely on a policy of repression.

Yet at the same time the French Interior minister, Charles Pasqua, not only cracks down heavy-handedly on suspected Islamic militants in France, but denounces third countries which seek to promote dialogue by giving *a platform to moderate* spokesmen of the banned Islamic Salvation Front (FIS) – the party that would have come to power in Algeria through the ballot box but for the coup of January 1992.

There can be no hope of ending the violence unless, as in South Africa, some common *ground is* established between moderates on both sides. Nor can it be in the French or European interest to represent this conflict as a clash of civilisations or war of religion, which would *inevitably* rage on European as well as North African soil. Yet that is what Mr Pasqua's policies, and those of his colleague at Education, François Bayrou, such as expulsion from state schools of Moslem girls who insist on wearing headscarves, are tending to do.

The EU now has several million Moslem citizens. It needs to earn their loyalty by showing respect for their faith.

Toys were us

The scene is familiar. Breathlessly they line up and shyly pass on folded scraps of paper with their secret wishes for the coming season. Children queuing for the Christmas grotto, or voters entering the polling booth? In truth, they have something in common. They share a sense of wishful anticipation, of belief that their desires will be satisfied. But once the ritual is done, awe passes too. All too often, disappointment follows as the outcome falls short of expectations.

As disappointed children punish their toys, so do voters their politicians. The victims are all around: John Major, plumbing new depths in the opinion polls; Bill Clinton, *still* reeling from the Republican landslide; Boris Yeltsin, manoeuvring ineptly for advantage in Moscow; Silvio Berlusconi, now the helpless plaything of Italian politics, not its saviour. At the sixth Christmas since the fall of the Berlin Wall, leaders in industrialised and former communist countries have discovered how rapidly the fashions of politics can turn against them. Their product life-cycles, like those of the trinkets dispensed by Santa Claus, modern toys, have become ever shorter.

In most of eastern and central Europe, former communists have regained a place in power; not only in Italy, but also in Japan and Canada, the ground has caved in under governing parties during the past 15 months. The last great survivor of European politics is Helmut Kohl, who four years ago promised east German voters that Christmas would come every day. It is no coincidence that he rules the European nation most enduringly attached to traditional fairy-tales.

The extension of democracy increases the risk that it will be over-burdened with unrealisable expectations. Too little belief in the capacity and legitimacy of elected leaders can produce *authoritarianism or anarchy; too* much leads inevitably to disillusionment and cynicism.

Voters should be like wise children: thoughtful, and slow to succumb to the blandishments of the flickering image, the unsubstantiated promise, and the free gift. *Instead they persist* in over-burdening their politicians with contradictory demands that even a sorceror could not reconcile, while politicians hope that the length of the electorate's memory will be inversely proportional to the list of problems they have been put into power to solve.

A new compact between governments and the governed is needed, not for perfect truth and perfect democracy – for neither exists – but for better balance between the two. Politicians must cut the wrapping and improve the content of their packages. They must inform and, at times, indulge, the voters without pandering to gullibility or greed; and they must admit their mistakes.

The voters should show more consistency, and greater rigour. They *should foresake the cycle of* extremes under which suspension of disbelief on polling day gives way, on the morrow, to disenchantment. The child's Christmastide, wide-eyed and tantrum-torn, must not become their daily lot. We voters need a healthy mix of sceptical hope and hopeful scepticism all through the year.

Thorp revisited

The decision by Hamburg's nuclear power utility to cancel some of its fuel reprocessing contracts at the UK's Thorp plant in Cumbria is an ominous sign for British Nuclear Fuels, Thorp's owner.

The cancellation adds to scepti*cism about the long-term* profitability of Thorp, which received its licence to operate a year ago after a bitterly contested battle between BNF and environmentalists. It may also represent the beginning of a change in governments' approach to nuclear waste disposal.

Hamburg's action does not at first sight appear very significant. The utility has cancelled contracts for reprocessing waste from 2004 to 2014 and has paid undisclosed compensation. This follows a change in German law this year, which allows "direct disposal" of nuclear waste underground. BNF says the contract represents just 1 per cent of its total orders, and 4 per cent of orders beyond 2004, and that the cancellation makes no difference to the economic case for Thorp. This was based entirely on the first decade's business. However, the move shows that the arguments for reprocessing nuclear waste may be losing their force.

Reprocessing separates out reusable uranium and plutonium from used fuel rods, leaving a smaller amount of true waste. But it is more expensive than direct disposal, many claim. Moreover, the uranium shortages foreseen when Thorp was conceived a decade ago have not materialised, while international concern has grown about the proliferation of plutonium-based weapons capability. So other customers may follow Hamburg's lead, if they can find direct *disposal sites at home.*

Hamburg's action also implicitly raises a taboo question: whether the most valuable service Thorp offers is storage rather than reprocessing. BNF's customers have already delivered many of the fuel rods for the next decade's reprocessing to Cumbria, where they sit in cooling ponds. The customers *are obliged by their contracts* to take back the products of reprocessing, but that may not be for many years.

For governments which do not have a policy for permanent disposal, BNF is, in effect, performing a political favour: while removing their waste, it also shifts difficult decisions about final disposal on to future governments.

The UK government would not wish to portray BNF's Sellafield site as a long-term store for foreign nuclear waste. But that would be no more than an acknowledgement of an important part of Thorp's role, which was hardly emphasised during the two public consultations on its licence. Such an admission would also allow the UK to ask itself whether it was charging enough for that service, given the political difficulty many countries face in finding permanent disposal sites. The value placed on reprocessing may have fallen, but the value of storage is rising.

'Are we losing our grip, sensei?'

William Dawkins eavesdrops on the fears of Japan's bureaucrats over the pace of economic and political reform

Snow is falling in the mountains north of Tokyo. Steam rises from a rock pool of scalding water, fed by a volcanic spring. Two men are basking, up to their necks, in one of Japan's most exclusive *onsen*, or therapeutic hot baths.

The older of the pair is Takeshi, a retired yet fit-looking former bureaucrat from the all-powerful Ministry of Finance. He now works as an adviser to several of what used to be the world's largest banks.

Takeshi's banks are less large today than they were a year ago, the last time he came to this *onsen*. *Their assets have been diminished* by bad-debt write-offs and a declining domestic loan book. But he still has enough cash and free time to develop one of the best golf handicaps in Tokyo.

His companion, Tokoro, an ambitious and overworked rising star in the ministry, used to work for Takeshi in the old days. Since Tokoro cannot afford to play golf on his meagre pay, they meet in hot water once a year to chat about the ways of the world.

"Always a pleasure to hear how things are going with you, young *man, but why so tired?" asks* Takeshi, pouring out two cups of *sake*, from a stone flask on a floating pine tray.

"*Sensei*, I've been working overtime trying to engineer a nice gentle economic recovery without rekindling inflation," says Tokoro.

"It hasn't been made easy by the tendency of the three coalition governments we have had over the past year to throw their weight around in a way that plays havoc with my budget projections," the young man complains, as he sips his *sake*.

Takeshi nods his head. "Yes, I too have wondered at times over the past 12 months whether the ministry is losing its grip."

Tokoro continues: "But despite the havoc caused by those warring politicians, the economy did start to pick up, just as you said it would, *sensei*. As you also warned, it is a weaker upturn than we are used to. We'll be lucky to see gross domestic product rise by more than 1 per cent this year. After that, we'll be seeing pretty slow growth rates, two or three points below the 5 per cent a year we got used to in the roaring late 1980s.

"It has been hard work, but we in the ministry are moderately pleased. We have come through the worst recession since the second world war with only a small rise in unemployment, to 3 per cent, and *without letting your banks get into* trouble. In the process, we have managed to sort out some urgent matters, like putting through that long overdue rise in sales tax, so that the state will have enough money to pay me a decent pension when I retire."

The older man looks dubious. "You are right to be cautious about the future. But you are in danger of not being cautious enough. Of course, the recovery will continue, and it would even strengthen a bit if you could stop worrying too much about inflation and ask that new boss at the Bank of Japan, Mr Yasuo Matsushita, to cut official interest rates. Yet we are, on the whole, in poor shape to face the next downturn," he says.

A sudden breeze whips handfuls of snow from the trees, and clears the steam, giving Tokoro an uncomfortable sense of impermanence. Both men look up and see storm clouds massing over the mountains.

Tokoro looks pained. "Aren't you looking too far ahead?" he asks.

"You don't get a golf handicap as good as mine by being short-sighted," replies Takeshi. "This is a reprieve, not a recovery. It is driven by an unsustainable rise in export sales to the booming US economy and to our fast-industrialising east Asian neighbours."

Takeshi continues: "Now the US, our biggest single market, will prob*ably go into its next downturn in* 1996. The east Asian import boom will lag too, because it is supported by a short-term shortage of capacity there. Come the next downturn, our Asian competitors will have built up more capacity, to produce higher volumes of goods at prices that we *cannot beat.*"

"So what?" says Tokoro. "We have ridden through ups and downs in world markets before. We can do the same again. Many of our exporters have risen to the challenge posed by the rise of the yen. They are getting leaner, especially in the car and electronics industries."

The *sensei* smiles sadly at the young man's optimism. "Sure, some sectors have shed a bit of fat. But overall, restructuring has been only cosmetic. The number of corporate employees is still higher than at the start of the downturn. Capacity utilisation is barely more than 70 per cent, the lowest for 18 years."

The older man continues: "The danger is that this upturn will reduce the pressure on domestic industry to rid itself of surplus capacity. Companies may get complacent again. That would not matter too much, if we could somehow stoke up domestic demand before export growth falls away. But people these days are willing to spend only if they can find a bargain, which for the most part means imported electronics, clothes and food – not much help to domestic *producers, nor to Japan's economic* growth.

"On the subject of spending, I noticed with distress that you arrived by bus. Isn't it time to renew that old car you bought before the recession?"

'More jobs are being created in services than manufacturing for the first time since the war'

"Wait a minute," says young Tokoro. "You don't do much to use up our industrial overcapacity yourself, what with that imported BMW you picked up cheaply because of the rise of the yen."

Takeshi laughs. "That's just the point. But I can buy a German car with a reasonably clear conscience because I know that weak demand for Japanese goods is only a symptom of the real problem: the matur*ing of the economy. How can* we increase the economy's capacity to grow, as our population ages and as more of our basic industries relocate to lower-wage countries?"

"What about service industries?" says Tokoro. "A surge in the service sector has done wonders for the US economy. It might do the same for us. More Japanese jobs are being created in services today than in manufacturing, for the first time since the war."

"You may be right there, in the long run," says Takeshi. "But the comparison is flawed in the short run because our service industries are nothing like as efficient as their US counterparts. Ours are chronically overmanned, because of the service sector's traditional role in mopping up surplus manufacturing jobs. Our services are also more sheltered from foreign competition than their US counterparts."

Tokoro interrupts: "We can deal with that. I will ask those forward-looking types at the Ministry *of International Trade and Industry* to dream up a policy to sharpen up the service sector. Path to enlightenment, we'll call it."

"That is dangerous talk," replies the older man. "There would have to be a labour shake-out before our service sector can reach US productivity. Nobody wants a sharp rise in unemployment. You chaps must go on ensuring that deregulation happens slowly enough to keep yourselves in a job – and incidentally avoid damaging our stable social structure."

'Ministers have even started asking to be consulted about budget spending'

Tokoro replies: "I agree. We have only just held the line on deregulation so far. To be honest, *sensei*, I do partly agree with you about losing our grip. The pressure for change is uncomfortable."

The young man continues: "*For* the first time, all the main political parties, big business, the US and the European Union are simultaneously begging for deregulation. Until now, we have been able to fend them off by paying lip service to the idea and doing little.

"But there are worrying signs that economic deregulation has built up a momentum of its own, independently of political pressure. Look at the explosion in the number of new discount supermarkets and the rise in cheap mobile tele*phone sales since* we eased controls in those areas early in the year. It all looks fine from the consumers' point of view, but it's more than we expected. I worry that prices might collapse across the board, taking the wind out of the recovery," concludes Tokoro.

"Cheer up," says the *sensei*. "You are still one of the few finance ministries in the world to control budget outlays and revenue, taxation, monetary policy, the financial system, anti-trust policy and any industrial policy that needs public money. You can't stop the clock like you used to, but you can *still* control the pace."

Tokoro asks: "But can we really? Can we be sure that the new order will learn to be as co-operative as the old? Ministers have even started asking to be consulted about budget spending. Most irregular. What about this big new opposition party that promises to drive the Liberal Democratic Party out of power and change everything? What about the reform-minded younger generation in the LDP *itself? Won't that make things* worse?" He looks upset.

"Don't worry too much about the politicians," replies Takeshi. "The old order hasn't changed as much as it seems."

Takeshi smiles in a way that Tokoro finds slightly sinister, and explains: "The LDP *reformists* who left the fold and formed that new opposition party are still conservatives at heart. New labels, but the people are the same. The younger generation in the LDP has not won the battle yet. The old guard has just begun to feel at a comfortable distance from the *scandals* that had forced them into the shadows. Now they are back."

Politely, the young man dissents. "But for the first time, the LDP faces a strong opposition. Its new enemies tasted power for nearly a year until June and might win *again. Their new party won't be in* league with the bureaucracy like the LDP was. Don't you remember how unpredictable it was working with Mr Morihiro Hosokawa's coalition? It took all of six months to get him under control."

"Things have moved on since *Hosokawa," says Takeshi.* "Present and former factions of the LDP have now found a way to keep themselves in power for ever. They have split into two, taking it in turns to govern. They might sometimes misbehave to keep the voters happy. But ultimately, they know that they must work with, not against, you. The old order has fragmented, not collapsed."

Tokoro: "So the economy will stay in safe hands then?"

Takeshi: "You can bet your bottom yen it will."

The pair clink *sake* cups and drink a toast, as storm clouds overhead burst. They are hidden from sight by a blizzard.

Though reinsurers claim risk is growing, cover for disasters is still available, says **Ralph Atkins**

Rocked by tremors but still reassured

Prophets of doom have new friends as the year ends. As brokers this week hurry to complete January insurance policy renewals, there are warnings about the risks being borne by the world's reinsurers – the companies that sell protection against large-scale losses to insurance companies.

Last month, Munich Re, the world's largest reinsurer, announced that it was prepared to reduce or terminate business connections where risks were greater than were justified by premiums. It believes there is a trend towards increasingly costly catastrophes. In 1993, there were 600 big natural disasters worldwide generating *overall losses of $50bn.*

Rival reinsurer Swiss Re has published a provocative report warning that changes in weather patterns could lead to even greater catastrophes. "All extreme weather catastrophes are basically the result of human systems failing to adjust to *'possible' local weather patterns,*" the report argues. "Now this peril is being dramatically intensified.

"Human intervention in the natural climatic system could accelerate global climatic change to such an extent that society might no longer be able to adapt quickly enough."

Swiss Re accepts that the impact of global warning on the climate is not fully understood. But even if the number of catastrophes is not increasing, the insured loss is rising, it says. A decade ago, for example, *few* living in Taiwan or the Philippines would have taken out insurance policies. That is now changing.

Some idea of the risks insurers face comes from Standard & Poor's, the rating agency. Its figures show that the world's 111 largest reinsurers excluding Lloyd's of London had "shareholders funds" (a measure of the capital invested and surplus funds retained after taking account of liabilities) totalling $36.7bn in 1992. That was the last year for which figures are available.

That might appear a comfortable financial cushion. But the Los Angeles earthquake *in* January, which is estimated to have caused $30bn of damage, illustrates how it might disappear. Reinsurers escaped relatively *lightly* on that occasion, because the insured losses from the "Northridge" earthquake were only about $10bn-$12bn, of which they would have underwritten only a part.

A stronger earthquake closer to a main population centre could have resulted in much higher costs – still more so if a greater proportion of properties had been insured. Policy claims from one event of, say, $50bn might force many insurers or reinsurers out of business.

It might be expected that such grim speculation would place constraints on the amount of catastrophe cover available and lead to premiums rising rapidly. This has not happened this year for two reasons.

First, in spite of the gloom spread *by many reinsurers, the amount of* business they are able to underwrite has increased. This is due largely to the flow of funds into new property/catastrophe reinsurance companies in Bermuda. Attracted by the *favourable* tax and regulatory regime, investment in the island's international insurers and reinsurers increased by $7bn last year, about half into nine new catastrophe reinsurance companies.

The second reason why catastrophe cover remains readily available at reasonable prices is that the more cataclysmic projections of reinsurers have not radically altered the way premiums are set.

"It is only people in universities who worry about global warming," says one reinsurance executive. "When it comes to pricing, people look at what has happened in the past and at market forces: when people want more cover, perhaps after an incident, prices go up. As you get further away from a loss, people's memories shorten."

This produces a roller-coaster cycle of price rises and falls. In recent years, for example, some reinsurance premiums have doubled or tripled as companies have sought to make up for poor underwriting results earlier in the decade. This year there have been relatively few natural catastrophes, so there is little pressure to raise rates. With the added capacity in Bermuda, reinsurance brokers say that premium cuts in excess of 10 per cent are possible.

Some *insurance specialists even* say the pessimism of European reinsurance companies in particular has been deliberately overdone to encourage higher prices.

There is, however, a longer-term trend towards greater precision in risk assessment on the part of rein*surers. One sign is the increasing* use of meteorologists, geologists and computer software to pinpoint and quantify risks. "Five years ago many insurance companies were unable accurately to assess their exposure from a catastrophe event. Now they are much more careful about the risks they are carrying," says Mr John Pelly, chairman of non-marine reinsurance at broker Willis Faber & Dumas.

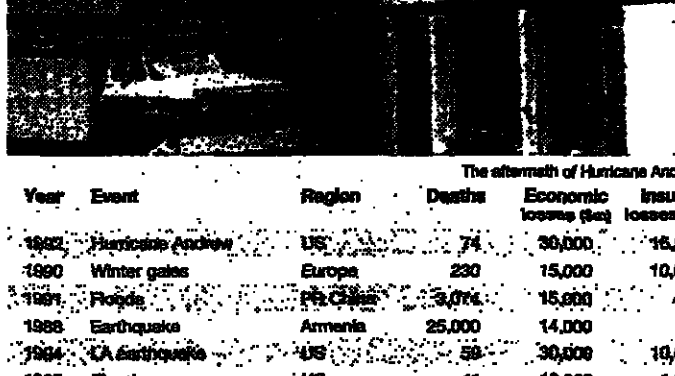
Another significant trend has been a change in the type of policies reinsurance companies provide. Previously, reinsurers issued "proportional" policies, in which they underwrote an agreed percentage of the risk borne by the insurance company without any limits on total claims. Now they prefer to provide "non-proportional" policies, in which they agree to underwrite an agreed chunk of the risk borne by the *direct insurer. These policies* have minimum levels for claims, below which the reinsurer pays nothing, and upper limits that cap the reinsurers' total exposure.

The effect of this change – and the increased focus on rigorous scientific analysis – has been to increase the control reinsurers exercise over their risks. One result is that insurance policyholders may have to bear a greater share of the risk, paying the first part of any claim or taking responsibility for the top slice. Another is that premiums paid by companies and individuals will rise *still* higher on the worst risks.

Insurers, however, find it difficult to convince consumers that it matters to them whether reinsurance companies are financially safe. Mr Felix Kloman, editor of the US publication, Risk Management Reports, *says: "The insurance industry is* held in very low esteem in the minds of the public . . . The security of the insurer or reinsurer has got to be right up the [priority] list."

The evidence of the current renewal season suggests that this is not yet happening. Buyers of catastrophe reinsurance can *still* beat prices down. To keep upward pressure on premiums, reinsurers may have to rely largely on apocalyptic warnings. That is, until the next large-scale disaster strikes.

Costly catastrophes



The aftermath of Hurricane Andrew

Year	Event	Region	Deaths	Economic losses ($m)	Insured losses ($m)
1992	Hurricane Andrew	US	74	30,000	16,500
1990	Winter gales	Europe	230	15,000	10,000
1991	Floods	PR China	3,074	15,000	410
1988	Earthquake	Armenia	25,000	14,000	0
1994	CA Earthquake	US	59	30,000	10,000
1993	Floods	US	41	12,000	1,000
1989	Hurricane Hugo	Caribbean US	61	9,000	4,500
1990	Earthquake	Iran	40,000	7,000	100
1991	Typhoon Mireille	Japan	62	6,000	5,200
1989	Earthquake S. Francisco	US	68	6,000	900

Source: Munich Re

FINANCIAL TIMES
Wednesday December 28 1994

Wary Chinese look before they leap into year of the pig

Inertia reigns as Beijing's leaders await the end of the Deng era, says Tony Walker

It will be a leap year in China in 1995 and only the fourth time this century that August has provided the leap month. It will also be a year of the pig – the last of the 12 terrestrial symbols and among the least auspicious.

Little wonder that the mood in China is a mixture of unease, inertia and nervousness, or that China's leaders are enmeshed in a game of transitional politics which is affecting domestic and foreign policy.

Sensitive to omens and portents, the Chinese are noting that each August leap year this century has brought cataclysm.

In 1900 the Boxer uprising ended in bloody reprisals by a foreign expeditionary force. In 1957 the anti-rightist campaign preceded two decades of disaster. 1976 produced the Tangshan earthquake in which as many as 250,000 perished. It was also the year in which Mao Zedong and his premier, Zhou Enlai, died.

The deteriorating health of paramount leader Mr Deng Xiaoping, coupled with a sense that the end of an era is approaching, appears to be weighing heavily on the leadership.

As the New Year beckons in wintry Beijing, China's leaders are engaged in seemingly endless meetings, conferences, and planning sessions. But in spite of much talk about continued reform, the overwhelming impression at present is not one of movement, but inertia.

A western official put it succinctly. "We're in limbo," she said. "We're in stalemate."

This lack of motion seems set to persist as Mr Deng's life ebbs away. How long the process will take is anybody's guess, but the leader's condition – he has Parkinson's disease – appears to have worsened since mid-year, and there are doubts whether he will make his traditional appearance in Shanghai at Spring Festival in late January.

Nervousness about the future appears to be conditioning policy responses at home and abroad, sharpening the leadership's reaction to challenges to its authority – real or imagined.

Last week's sentencing of nine dissidents to jail terms of between three and 20 years is a case in point. These sentences were a sign, according to western officials, not of self-confidence at the top but of leaders unsure how they will keep order in the post-Deng era.

China's approach to the Gatt negotiations, in which it eschewed what might have been regarded as reasonable compromise, left an impression of a leadership, weighed down by other preoccupations, that was in no mood to sanction the concessions required on market access and other issues. Lack of progress on Sino-US copyright negotiations is another example of inertia. Pirating of laser and compact discs and computer software is rife in China. US officials report that talks on intellectual property rights violations had bogged down recently, with Beijing apparently unwilling to admit its policing efforts were ineffectual.

> Sensitive to omens and portents, the Chinese are noting that each August leap year this century has brought cataclysm in its wake

Domestic economic reform also appears to be faltering. Worries about inflation are casting a long shadow and reinforcing a tendency towards caution. Chinese officials talk endlessly about state enterprise reform, but there appears to be a widening gap between words and deeds.

Among indications of uncertainty is the eclipse, for now, of Mr Zhu Rongji, the reformist vice-premier. Mr Zhu has been less prominent since mid-year.

Western officials and Chinese observers interpret Mr Zhu's current reticence as vulnerability. They believe he is shoring up his defences for the leadership struggle that lies ahead once Mr Deng dies. The executive vice-premier is said to strongly oppose concessions required to advance the Gatt negotiations.

Another indication of uncertainty in Beijing is the more nationalistic tone apparent in recent public statements. Commentaries in the past few days on the failed Gatt talks, for example, were more expressions of outrage and wounded pride than analyses of reasons for failure.

"Our government has said it will not yield to pressure, however great," said the China Daily yesterday. "We believe all Chinese people endorse our government's firm and just stand."

The Gatt argument also risks sharpening Sino-US differences after a period in which the two sides appeared to have achieved relative harmony in managing their complex relationship. President Bill Clinton's decision last May to "de-link" human rights and the renewal of China's Most Favoured Nation trading status had improved the atmosphere, markedly. But in a more fractious period, there are dangers that things could regress.

Finally, lurking in the background are real concerns about the quality of China's "third generation" leadership, whose task it will be to assume what a western ambassador has called Mr Deng's "blood-spattered mantle".

Mr Jiang Zemin, the avuncular 68-year-old president of the republic, general secretary of the Communist party and chairman of the Central Military Commission, awaits his turn, but doubts persist about his ability to assert authority in the difficult months after Mr Deng's death.

Consumer gloom in UK may be infecting businesses

By Gillian Tett and David Owen in London

The "feel bad" factor among consumers that has been souring the UK economic recovery may now be spreading to the business community.

The latest bi-monthly survey by the Institute of Directors, published yesterday, showed that business confidence in the health of Britain's economy has slipped in recent months even though the City of London is forecasting steady growth next year.

The findings, which come as Mr Kenneth Clarke, chancellor of the exchequer, meets Mr Eddie George, governor of the Bank of England, for their monthly monetary meeting today, highlight the obstacles the government may face next year in convincing people that a stable recovery is under way. The IoD survey showed business confidence at its lowest for two years.

After recent interest rate rises and Budget and political turmoil, the proportion of directors surveyed who were optimistic about the economy fell to 38 per cent this month from 43 per cent two months ago.

The fall occurred even though the IoD itself predicts steady growth for Britain in 1995.

The prediction echoes a recent separate survey of more than 40 economic forecasters, which also expects healthy, industry-led expansion next year.

That survey, which is tracked by the Treasury, showed that most forecasters expect growth of about 3.25 per cent in 1995, consistent with the Treasury's own forecast. The underlying inflation rate is expected to be 2.9 per cent – higher than the Treasury's forecast, but very low compared with the past two decades.

The average consensus among the forecasters is that exports will grow by 6-7 per cent next year while imports will grow by only 5 per cent. The consumer sector, however, is expected to remain relatively weak, underlining the export and industry-driven nature of the recovery. City and independent forecasters expect consumer spending to grow on average by only 2.3 per cent next year.

Nevertheless, yesterday's IoD survey suggested that rosy economic forecasts were viewed with caution by many businessmen, not least because of recent splits in the government. Nearly half those directors who were less confident about the economy than six months ago cited political concerns as their main worry, the IoD said.

A survey of wage settlements from Incomes Data Services showed that pay rises have crept up over the past year, with most settlements between October and December worth about 3 per cent.

Busy start to sales, Page 6

THE LEX COLUMN

Emerging risks

If last year demonstrated the rewards of investing in emerging markets, this year has highlighted the risks. In 1993, emerging markets outperformed developed markets by a factor of three – increasing by 64 per cent in US dollar terms. This year they underperformed. They were down by 7 per cent in the year to mid December and fell further last week as a result of the plunge in the value of the Mexican peso and stock market.

The poor performance this year reflects not just political and economic uncertainties; another issue has been the gradual tightening of US monetary policy. High yields on US Treasuries, coupled with rising short-term interest rates, have reduced the investment attractions of risky emerging markets and have enhanced the relative appeal of risk-free cash. Repatriation of funds out of emerging markets back to the US is a big factor behind the 17 per cent fall in the IFC Asian emerging markets index after four years of breathtaking gains. It did not, though, prevent some spectacular gains in less interest-rate-sensitive south American markets such as Brazil and Peru.

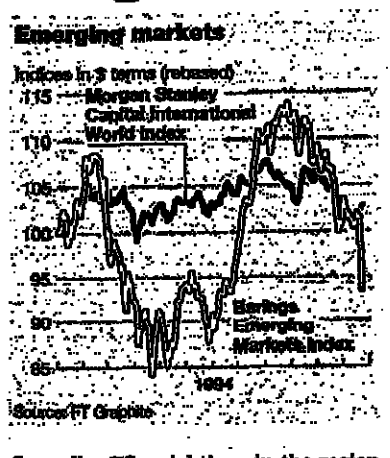
Total net foreign investment in emerging markets for this year is likely to be about \$25bn to \$30bn, down from \$38bn in 1993. The figure will probably fall again this year if US short rates are raised as aggressively as markets expect. The weight of money seeking a home in a limited selection of "investable" securities in the developing world has been as much a factor in driving up share prices as the fundamental attractions of earnings growth far higher than that available in the developed world. The emerging markets will prove correspondingly vulnerable to any large-scale reversal of investment flows.

Asia

Asian indices have plunged this year while economic growth in the region has at worst maintained the high levels that investors have learned to expect. This creates some interesting anomalies. In Thailand, for example, earnings per share are likely to grow at close to 30 per cent this year whereas the stock market has fallen 19 per cent.

There are other positive signs. In 1980, 76 per cent of Asia's exports were shipped outside the region. Regional trade now accounts for over half of exports and is rising rapidly. Given levels of growth throughout Asia, economic success should feed upon itself.

Emerging markets



Source: FT Graphite

Secondly, US weightings in the region remain low and, given limited currency risk in a number of Asian markets (i.e. Thailand and Malaysia), exposure is expected to increase steadily in the coming years.

One risk for the region is the large amount of capital-raising. India's stock market is expected to absorb new issues amounting to around \$11.5bn in the year to March. This represents close to 10 per cent of market capitalisation and is one factor behind the 16 per cent fall in the Indian market since it reached its peak in September. Capital-raising has similarly held back Indonesian stocks.

The spectre of an overheating Chinese economy and an ailing political figurehead, Deng Xiaoping, could hurt China's stock markets. Ripples would follow through to an already vulnerable Hong Kong and Taiwan. But the regional impact may not be great, and 1995 seems likely to be a year of recovery.

Latin America

The crisis in Mexico has underlined the risks of investing in Latin America as a whole. Most countries in the region remain dependent on foreign capital to compensate for their current-account deficits. That makes their markets peculiarly vulnerable to crises of investor confidence and for the foreseeable future the region will be dependent on the international markets.

The sell-off by foreign investors in Mexico was prompted not only by attempts to avoid the peso's devaluation, but by their recognition of the impact of the crisis on corporate earnings. Companies' financial charges are likely to rise because of higher local interest rates. The increase in rates could lead to an appreciable slowdown in already hesitant economic growth. Worst of all, the peso's depreciation will significantly raise the cost of companies' dollar-denominated debt. Some banks could find themselves in serious difficulties.

The Mexican crisis depressed the currencies of other Latin American countries without regard to their differing economic circumstances. Argentina, certainly, is struggling with difficulties similar to those in Mexico – a current-account deficit, political problems and an overvalued peso. The Mexican crisis may strengthen the Argentine government's resolve to support its currency, but that will be at the expense of higher interest rates and slower growth.

Thus the Argentine market's 10 per cent fall in dollar terms last week may have been justified. But by contrast the 13 per cent fall in Brazil was bizarre. The country is running a current account surplus, its foreign reserves are far larger than Mexico's and the value of the new currency has only just been set. Chile's 5 per cent fall was also strange, given the country's large domestic savings base and relatively stable economy.

In the longer term, the macroeconomic environment in Latin America remains more attractive than for many years. Command economics has been abandoned throughout the region, serious attempts are being made to control inflation and the political environment has become more stable. Given the continent's huge natural resources, the potential rewards remain considerable.

Long-term, investors cannot afford to avoid emerging markets, in Asia, Latin America, or elsewhere – so long as the investment is made as part of a properly balanced portfolio. Economic growth rates in developing countries are set to outpace those of the developed world for the next two decades. Corporate earnings will prove highly geared to this growth, political risks notwithstanding.

Moreover, the liquidity argument may again work in emerging markets' favour. The total invested in these markets is still small in absolute terms and it would only take a modest adjustment in fund managers' asset allocation models to give rise to further substantial flows into the developing markets.

The next big buying opportunity is likely to come once investors become convinced that US interest rates are nearing their cyclical peak.

Algeria fear

Continued from Page 1

are backing is that of democracy," he said.

Government officials said that a series of security measures were under consideration to reduce the threat of attacks against French nationals and businesses.

They said that flights to Algiers had been suspended pending the implementation of new security measures.

Yeltsin pledges order

Continued from Page 1

transformed Chechnya into a haven for arms traders and drug traffickers, and that it had diverted state funds to buy arms.

He said leaders "to whom the Chechen people are dear" must be brought into the work of a future government of the republic, and that elections would be held.

A three-man commission, consisting of Mr Nikolai Yegorov, deputy premier for nationalities, Mr Sergei Stepashin, head of the Federal Intelligence Service, and General Anatoly Kvashnin, the officer commanding the Chechen operation, had been empowered to open negotiations.

They are to be aided by a commission of parliamentary deputies from both houses of parliament and a supervisory committee including Chechen tribal elders and religious figures.

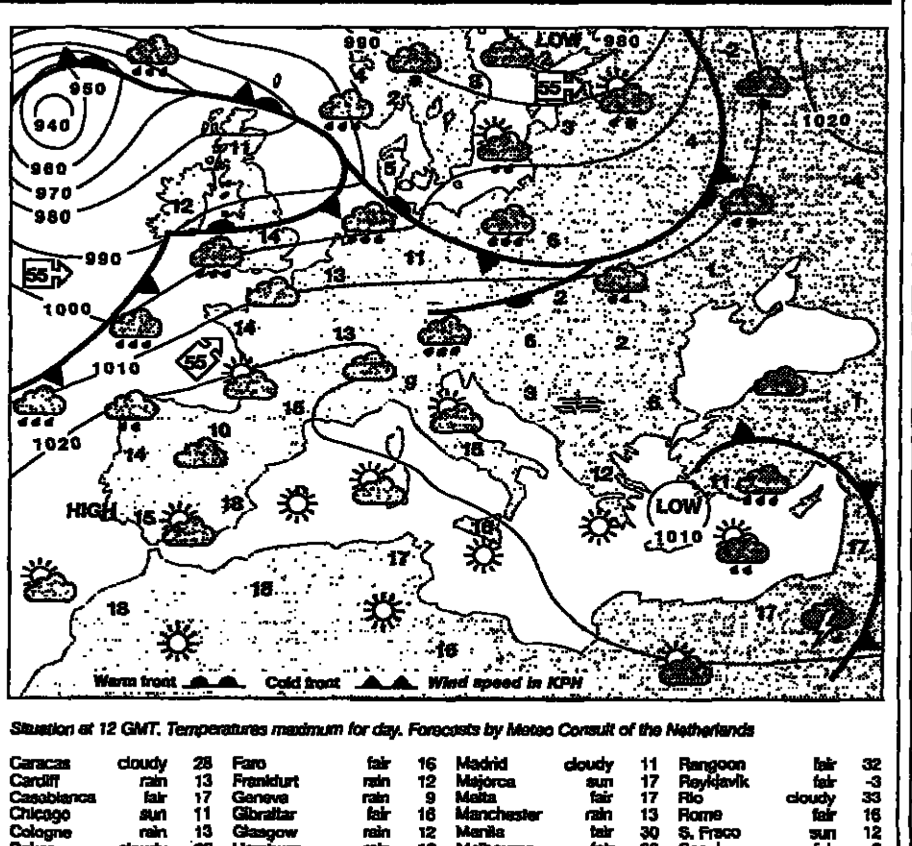
FT WEATHER GUIDE

Europe today

A large and active low pressure system south of Iceland will bring mild and moist air to western Europe accompanied by mostly overcast conditions. The British Isles, the Low Countries and Germany will have long periods of rain and temperatures above 10C. France, Italy, Spain and Portugal will be partly to mostly cloudy with light rain in north-western areas. The eastern Mediterranean will continue unsettled with showers and some thunder. Greece will be mostly sunny with seasonable temperatures. Patchy fog is expected in the Balkans and a front with rain or sleet will sweep through eastern Europe. Scandinavia will be mostly cloudy with rain or snow showers.

Five-day forecast

A large depression will move to Scandinavia while high pressure builds over the British Isles. As a result, cold and unstable air will arrive in western Europe and Scandinavia accompanied by showers, occasionally with hail or snow. Conditions in the eastern Mediterranean will stabilise as sunny periods develop. A mixture of cloud and sun is expected in south-eastern Europe.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum		Beijing	fair	2	Caracas	cloudy	28	Faro	fair	16	Madrid	cloudy	11	Rangoon	fair	32
	Celsius		Belfast	rain	11	Cardiff	rain	13	Frankfurt	rain	12	Majorca	sun	17	Reykjavik	fair	-3
Abu Dhabi	sun	24	Belgrade	fog	4	Casablanca	fair	17	Geneva	rain	9	Malta	fair	17	Rio	cloudy	33
Accra	cloudy	31	Berlin	rain	9	Chicago	sun	11	Gibraltar	fair	16	Manchester	rain	13	Rome	fair	16
Algiers	fair	18	Bermuda	shower	21	Cologne	rain	13	Glasgow	rain	12	Manila	fair	30	S. Frsco	sun	12
Amsterdam	rain	13	Bogota	cloudy	23	Dakar	cloudy	26	Hamburg	rain	10	Melbourne	fair	22	Seoul	fair	2
Athens	fair	13	Bombay	fair	32	Dallas	cloudy	8	Helsinki	cloudy	1	Mexico City	fair	22	Singapore	fair	30
Atlanta	fair	19	Brussels	rain	13	Delhi	fair	22	Hong Kong	fair	23	Miami	fair	25	Stockholm	fair	2
B. Aires	fair	32	Budapest	cloudy	4	Dubai	sun	25	Honolulu	fair	27	Milan	fair	7	Strasbourg	rain	13
B.ham	rain	14	C.hagen	rain	4	Dublin	rain	13	Istanbul	shower	9	Montreal	snow	0	Sydney	sun	24
Bangkok	fair	33	Cairo	fair	18	Dubrovnik	fair	15	Jakarta	fair	30	Moscow	snow	1	Tangier	fair	16
Barcelona	fair	14	Cape Town	fair	27	Edinburgh	rain	12	Jersey	cloudy	13	Munich	rain	12	Tel Aviv	shower	18
									Karachi	fair	27	Nairobi	fair	26	Tokyo	shower	10
									Kuwait	fair	17	Naples	fair	15	Toronto	fair	5
									L. Angeles	sun	19	Nassau	fair	27	Vancouver	shower	6
									Las Palmas	fair	23	New York	cloudy	12	Venice	fair	8
									Lima	cloudy	25	Nice	cloudy	14	Vienna	shower	8
									Lisbon	cloudy	14	Nicosia	rain	18	Warsaw	cloudy	6
									London	rain	14	Oslo	snow	-1	Washington	sun	14
									Lux.bourg	rain	10	Paris	rain	13	Wellington	fair	23
									Lyon	cloudy	13	Perth	fair	27	Winnipeg	fair	-12
									Madeira	shower	21	Prague	rain	11	Zurich	rain	11

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FINANCIAL TIMES
COMPANIES & MARKETS
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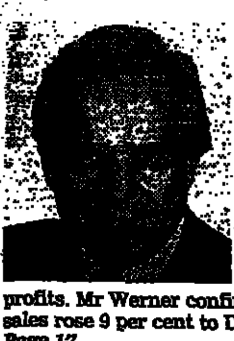
Wednesday December 28 1994

IN BRIEF

Time Warner in Japanese TV deal

The US entertainment group Time Warner is planning to form a joint venture with two Japanese companies, Itochu and Toshiba, and the US regional telephone company US West, to spend $400m on building cable television systems in Japan. Page 17

Mercedes-Benz to return to the black



Mercedes-Benz, the luxury car subsidiary of Germany's Daimler-Benz, will be back in the "black" in 1994 following heavy losses of more than DM1.2bn ($760m) for 1993, Mr Helmut Werner (left), chairman of the board said yesterday in an end-of-year statement. However, he did not disclose the extent of the profits. Mr Werner confirmed that world-wide group sales rose 9 per cent to DM70bn for 1994. Page 17

Cadillac Fairview gets court protection
Cadillac Fairview, the big Canadian property developer, has obtained court protection from its creditors while it tries to stitch together a financial restructuring. The Toronto-based company has debts of C$5.3bn (US$3.8bn). Page 17

Samas makes German purchase
Samas, the Dutch office furnishings company, said it had reached final agreement on acquiring a majority stake in Schaerf, the German office furniture maker, from the Schaerf family. Page 17

Investment group buys Adidas
A group of international investors has taken control of Adidas AG, the German sports equipment company, according to Crédit Lyonnais, the French state-owned bank which sold a 20 per cent stake in the group. Page 17

Credit Suisse nearer to Budapest stake
Credit Suisse, the main banking arm of Swiss financial group CS Holding, confirmed that the Hungarian government has chosen it as the lead contender to take a controlling stake in the planned privatisation of Budapest Bank. Page 17

Telekom sails into unknown waters
Germany's state-owned telecommunications utility was launched down the privatisation slip-way last week and is sailing off into unknown waters with neither steersman nor charts. It is hardly the most promising set of circumstances, for the gaggle of absolute beginners manning Deutsche Telekom. Page 17

Lloyds finds £331m
Almost 30 companies are providing the extra £331m ($518m) in corporate capital Lloyd's of London has attracted for underwriting next year, according to a list released by the insurance market. Page 16

Doubled bonus for Tate & Lyle chief
The bonus paid to Sir Neil Shaw, chairman and highest paid director of Tate & Lyle, the UK-based sugars and sweeteners group, doubled last year to £200,000 for the year to September 24. Sir Neil's remuneration, excluding pension fund contributions, increased by 26 per cent to £456,000. Page 16

Holding a tiger by the tail
The end of 1994 brought little cheer for investors in both Shanghai's A-share market for locals and B-shares. This is a year investors would prefer to forget. Yesterday Shenzhen A shares dived for the fourth consecutive session as investors were unable to find stimulation. Back Page

Peso steals the show
The peso was the main focus of the day in the currency markets, as it plunged to a new low point against the dollar in volatile trading. Investors remain nervous after a sharp fall in the Mexican currency on Monday, when the peso fell by another 7 per cent against the US dollar. Page 20

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bay Vereinsbank	435.5	+	8.5
Mannesmann	421	+	8.5
Schmalbach Lub	335	+	7
Volkswagen Pf	348	+	7
Falls			
Asko	720	−	30
Zanders Feinpap	225	−	8
NEW YORK ($)			
Rises			
ITT	87¾	+	4¾
Perry Drug	10¼	+	3¾
Falls			
Dayton Hudson	68⅞	−	5⅝
Grupo Televisa	29¼	−	3⅛
Telefonos	37¾	−	2¾
Vitro	11⅞	−	2⅛
PARIS (FFr)			
Rises			
Fonc Lyonnaise	759	+	21
Immobanque	830	+	35
Pinault Printemp	942	+	22
Falls			
Credit National	405.3	−	9.2
Taittinger	2300	−	97
Unibail	476	−	13.8
TOKYO (Yen)			
Rises			
Godo Shusei	528	+	26
Janome Sewing	320	+	16
Shokusan Jutk	429	+	17
Tsugami	573	+	21
Yuasa	640	+	30
Falls			
Denny's Japan	3320	−	130

New York prices at 12.30.

ITT sells financial units for $3.7bn

Break-up speculation as Deutsche Bank and Norwest buy commercial finance and consumer lending arms

By Patrick Harverson in New York and Judy Dempsey in Berlin

ITT, the US conglomerate, is selling two of its financial services businesses for $3.7bn to fund its expansion in the leisure and entertainment industries.

The two units – ITT Commercial Finance and the consumer lending operation Island Finance – are being bought by the German banking group Deutsche Bank and the US banking group Norwest, respectively.

ITT says it is near to completing the sale of another part of ITT Financial, including property services and small business finance, to an unnamed buyer for $1.8bn. The company said the remaining 25 per cent of ITT Financial – the reinsurance business – will be sold shortly.

After debts, ITT expects that between $3bn and $3.5bn will be raised from the sales of the four parts of ITT Financial. The money will be used to finance acquisitions in the hotels, leisure and entertainment industries, and while ITT would not comment on its next move, the company is believed to be interested in acquiring a US broadcast television network.

Although ITT has made clear its ambitions in leisure and entertainment (it already owns the Sheraton hotel chain, it is awaiting regulatory clearance for its recent $1.1bn purchase of the Madison Square Garden sports and entertainment group, and a week ago it agreed to pay $1.7bn for the Caesars World gaming group) the company denied reports that ITT's aggressive expansion meant it was preparing to divest its other two main businesses, insurance and manufactured products.

Analysts, however, believe that ITT may be considering breaking up the three main operations – hotels, leisure and entertainment (which has sales of $6bn), insurance ($10.5bn sales), and manufacturing ($8bn sales) – and floating them on the stock market as separate companies. Analysts believe the three units could be sold to the public for as much as $15bn, or $130 a share. ITT would not comment on reports of a planned break-up, but said that it was keeping its options open.

Yesterday, news of the various deals involving ITT Financial and speculation about a break-up lifted ITT's share price $5¼ to $89 in New York.

The bigger of yesterday's two deals was the $3.1bn acquisition of ITT Commercial Finance by Deutsche Bank North America, the US subsidiary of the German banking group.

The acquisition, which is part of Deutsche Bank's programme of internationalising its activities as well as diversifying its financial services operations, "will accelerate DBNA's strategy to become a leader in the rapidly growing business of asset-based lending", said Mr John Rolls, DBNA president and chief executive. After the deal is completed, DBNA's portfolio of asset-based lending will be worth more than $5bn.

Through acquiring the ITT unit, Deutsche Bank believes it will also win greater access to commercial finance markets in North America, Canada and south-east Asia, "regions which are becoming increasingly important particularly for our strategy", according to the company.

Deutsche Bank has been expanding its banking and investment activities outside Germany and Europe recently. Last October it moved the investment side of its activities to London, while it has already established 40 subsidiaries in south-east Asia.

In the other deal, the Minnesota-based bank, Norwest, paid about $595m for Island Finance, ITT's Caribbean and Central American consumer finance operations.

Island Finance's main business is making small loans to individuals in Puerto Rico, Panama, and the Caribbean Islands.

Gazprom looks for industry investors

By Nicholas Denton and Robert Corzine in London

Gazprom, the world's largest gas producer, and its merchant bank adviser, Kleinwort Benson, have drawn up a list of 10 to 20 western industrial companies expected to take stakes in the Russian company's planned share offering in 1995.

Gazprom owns an estimated 34 per cent of world gas reserves and earned $6bn-$7bn in hard currency in 1993. Its managers see the offering of equity stakes to western companies as a way of cementing existing or proposed relationships.

These core investors are expected to provide what the Russian gas company described as "a nugget of demand" for the 9 per cent tranche earmarked for sale.

British Gas, currently negotiating with Gazprom over the latter's participation in the development of the giant Karachaganak gas field in Kazakhstan, said it had neither "ruled in nor ruled out" participation in the equity offering.

The non-committal stance is echoed by other gas companies, such as Enron of the US, which has an agreement with Gazprom to use Russian gas for possible power generation projects in Europe. Gazprom's existing joint ventures with BASF in Russia and Germany makes the German chemical company another candidate but Neste of Finland, another customer and partner, has said it will not take a shareholding.

While customers of Gazprom, and integrated oil and gas groups, make up most of the group of 10-20 core investors, it is believed that suppliers of infrastructure like pipelines and compressors are also included.

Proposals for the equity sale also include a placement with investment funds and other institutions, but it is thought the "trade sale" to industrial investors will predominate.

International bankers who have worked with Gazprom say they would view the presence of sophisticated industrial investors on Gazprom's share register as a "very positive" development that would enhance its creditworthiness.

An audit is under way to present Gazprom's finances in a western-style format, but in the short to medium-term, industrial investors familiar with the sector might be better placed to gauge the true state of its performance.

Ted Bardacke looks at the heavy pressure devaluation will place on Mexico's corporate and banking sectors

Peso's fall packs a double whammy

Foreign exchange exposure: Mala suerte for most

	Total debt (pesos million)	% of debt in foreign currency	% of sales in foreign currency	Foreign currency sales as a % of foreign currency debt
Vitro	7,590	25	38	173
Desc	2,939	98	72	101
GMexico	2,740	83	59	68
Peñoles	1,077	100	37	62
Situr	3,121	81	77	61
Cydsa	2,180	97	60	58
Tamsa	1,398	100	100	50
TMM	2,026	90	40	35
GCarso	3,609	52	7	32
Telmex	7,813	85	10	29
Televisa	5,719	43	15	28
Somex	11,975	88	33	24
Femsa	1,870	91	3	10
ICA	5,605	78	5	8
Tolmex	1,559	89	2	8
GMD	1,857	89	0	0
Tribasa	3,037	40	0	0

Source: Baring Securities estimates. Figures at September 1994.

The 38 per cent devaluation of the Mexican peso since December 19 has the country's banks and big companies struggling to estimate how much the change will cost them, both in terms of 1994 profits and 1995 revenue. Many are frightened by what they see.

Projected lower economic growth and high interest rates coupled with exchange rate losses on dollar-denominated debt will eat up the profits of many companies, even among those who may ultimately benefit from a weaker currency. But the banking system, which apparently will escape 1994 relatively unscathed, is the main long-term worry.

Expensive domestic financing costs, slow economic growth and exchange rate exposure are nothing new to Mexican companies. At various times during the presidency of Mr Carlos Salinas, they suffered through similar conditions, such as suffocating interest rates in 1992, recession in 1993, and foreign exchange losses approaching $1bn in the first quarter alone of 1994.

But these factors never coincided as strongly as they do now. "We didn't get much sleep last week. And when we did sleep, we didn't sleep very well," confesses Mr José Cavillo, finance director of Comercial Mexicana, the country's third largest retail chain. "Profits have disappeared and all we can project for next year is uncertainty."

Only a few of the Mexican blue-chip companies whose shares trade on Wall Street will escape the effects of devaluation. In the league table (above) of the country's biggest corporate debtors, the lower a company appears, the greater its relative exchange rate loss from devaluation. Companies with already high export levels or dollar earnings, such as the telecommunications monopoly Telmex and the glassmaker Vitro, will not be hit that hard, although Telmex is projecting a fourth quarter after-tax exchange rate loss of approximately PL3bn ($232m). Companies with low overall debt levels or inelastic demand for their products, such as the retailer Cifra and cornflour and tortilla group Maseca, are the best prepared to confront 1995.

And while many companies say they are relieved that the devaluation took place at the end of 1994 so that they can start 1995 with a clean slate, the extreme situation at Comercial Mexicana shows what companies will have to deal with in the coming months.

The fact that nearly all of Comercial Mexicana's P785m debt is in dollars, and that it has absolutely no foreign exchange earnings, is only the beginning. The company also expects low economic growth – if not outright recession – in 1995.

Couple that with a projected decline in real wages as the government is unable to control prices as tightly as it controls the unions, and the outlook for any company is problematic at least.

In general analysts say that consumer products will take a nosedive, while hotel and resort operators like Situr will weather the storm as property is valued in dollars and Mexico becomes more attractive to foreign tourists. Construction is the big question mark. Increased foreign direct investment may be offset by lower overall growth.

But no matter what the immediate effect the devaluation has on individual companies, they are all worried about the increase they face in financing costs. Annual interest rates on peso loans from Mexican banks now stand at between 35 and 45 per cent, while foreign sources have dried up for the moment and will be expensive when they return.

"The margins at our stores can't cover more than an 18 per cent cost of capital. And dollars, if they exist, are going to cost significantly more than the 7 to 8 per cent we were getting before the devaluation," Mr Cavillo says. "We are going to have to watch our cash position very closely next year because cash may be all we have."

The consensus among financial analysts is that as companies lower their capital demands because of high interest rates and low economic growth, Mexican banks will see little or no growth in their loan portfolios. Yet this is just the start of the concerns about the banking system.

"Things that used to worry us only a few days ago, such as asset quality ... and total loan growth of 10 per cent, could be just a pleasant dream of the past," Mr Petru Vaduva of Bear Stearns says in *Fasten Your Seat Belts*, his analysis of the post-devaluation Mexican financial sector.

Most loans in Mexico carry variable interest rates. As rates shoot up to 40 per cent and beyond, defaults are likely, especially in the consumer sector such as credit cards, mortgages and car loans. Mr Eduardo García of Banca Serfin, Mexico's third largest bank, says: "The quality of our loan portfolio is no doubt going to get worse. If people don't have money they simply aren't going to pay. We just don't know exactly how much of our portfolio is going to be in that position."

Dollars account for about 15 per cent of the liabilities of the Mexican banking system, so net income will suffer from exchange rate losses as well as from increased one-time charges for bad loans. But analysts say 1994 balance sheets should still look reasonably good and that the real warning signals are on capital and reserve levels.

By law Mexican banks are required to put aside reserves not only for uncollectible loans but for potential bad loans as well. This will cost banks money in 1995, as would – if it now goes ahead – a planned increase in required capital from 8 per cent of assets to 9.5 per cent at the behest of the finance ministry. In addition, much of banks' current capital is either in the Mexican stock market – down more than 50 per cent in dollar terms so far in 1994 – or in long-term government securities, the value of which has also fallen heavily.

Most banks will need new capital even to meet the current 8 per cent requirement.

The problem, explains Serfin's Mr García, is that not much capital is available. "Forget the international capital markets," he says. "It will be a long time before they invest in Mexican banks again. And the national market is going to be pretty dry as well. Everybody with money is going to be using it to help their own businesses, not ours."

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Currencies, Page 20

Shares fall again

Early gains in Mexican equities faded yesterday after the peso fell again against the dollar. Other Latin American markets were also weak in early trading. Foreign investors were seen selling the ADRs of Mexican-quoted companies on Wall Street to buy the domestic shares, which now looked more attractively priced.
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Trygg turns to Zurich in US

By Hugh Carnegy in Stockholm

Trygg-Hansa, the Swedish insurer, yesterday announced the virtual takeover of its loss-making US associate Home Holdings by Switzerland's Zurich Insurance group, tearing up an earlier refinancing agreement for Home struck only three weeks ago with a group of US investors.

Zurich, one of Europe's top three insurance groups, will take over the management of Home and will be able to renew all existing Home business. Home will be de-listed from the New York Stock Exchange.

Trygg-Hansa and Zurich will meanwhile enter a strategic alliance giving Trygg's industrial clients access to Zurich's international network in insurance and risk management and giving Zurich's customers access to Trygg's services in Scandinavia.

The deal replaced a $590m refinancing package arranged with Fund American Enterprises Holdings, Trident Partnership and Hellman & Friedman. As the result of its 1991 investment in Home, Trygg holds a 54.5 per cent stake in the US insurer.

Mr Lars Thunell, Trygg's chief executive, said the about-turn was possible under an escape clause in the original deal – although Home will pay a penalty to the US investor group of about $12m.

Trygg said the new agreement meant its total loss from the investment would fall to SKr4.5bn ($601m) from SKr5bn and its required write-down would fall by a similar margin to SKr2.3bn. It would benefit from any future increase in value in its residual holding in Home.

Zurich is to pay $100m-$150m as a commission for taking over the renewal of Home business. It will lend Home $98m and put up working capital of about $30m.

It will buy 800,000 Home shares from Trygg, now at $7.50 per share and, over an eight-year period, a further 17.4m shares at about $8.50 per share, cutting Trygg's holding to about 12 per cent. Home will repurchase about 9m outstanding shares (not held by Trygg or the other principal shareholder, Centre Re) for $10 per share.

Home's $170m debt to Trygg will be restructured, with Zurich initially paying $1m for $110m in junior debentures and Trygg taking on $60m in junior debentures.

The repayment of the balance of $109m due to Trygg will be postponed and based on an assessment of Home's loss reserves at the end of 1994. After the end of 2004, call and put options could lead to Trygg selling the rest of its shares in Home.

The original deal involved a $420m injection of new capital into Home by the US investors, led by Mr Jack Byrne, chairman of Fund American, the write-off by Trygg of its US$170m loan to Home and the option for the US group to buy 14.5m of Trygg's 22.5m shares in Home.
World stocks, Back Page

Taiwan bank buys in California

By Laura Tyson in Taipei

Chinatrust Commercial Bank, controlled by Taiwan's Koo family, plans to buy a Californian bank in a first step toward establishing a US banking network targeting Asian, especially ethnic Chinese, communities.

Mr Jeffrey Koo, chairman, said the US government deliberated for four years before approving the purchase of Trans National Bank, which has five branches and total assets of $100m. The $30m deal will be the first takeover of a US bank by a Taiwanese company.

The Koo family is one of Taiwan's wealthiest and most influential families, and Chinatrust is the island's biggest privately owned bank. Mr C F Koo, the patriarch and head of the family's diverse business interests, is a senior figure in the Taiwan ruling Nationalist party.

The bank will be renamed China Trust Bank of California. The purchase is part of Chinatrust's broader expansion strategy of serving Chinese communities in Asia and elsewhere.

Chinatrust Commercial Bank posted net profits of T$2.4bn (US$91m) on sales of T$25bn for the first eleven months of 1994, against T$1.3bn on sales of T$23bn in 1993.

Companies come up with £331m for Lloyd's

By Ralph Atkins, Insurance Correspondent

Almost 30 companies are providing the extra £331m in corporate capital Lloyd's of London has attracted for underwriting next year, according to a list released by the insurance market.

Corporate investors at Lloyd's fall into two categories. First are the spread vehicles and investment trusts, which invest in a range of insurance syndicates. The profitability of these companies will depend on their expertise in selecting the best performing syndicates.

Second, are "dedicated" companies which invest in only a narrow range of syndicates run by a single Lloyd's managing agency. The purest form of dedicated company – and the closest to the embryonic insurance companies which many expect to dominate Lloyd's of the future – are the "corporate syndicates", where the new capital is the syndicate's only source of funds.

Corporate syndicates do not have to be "annual ventures" as is traditional for Lloyd's insurance syndicates. This means premium income can be invested, more efficiently, over a longer period.

Of this year's new investors, four are listed on the UK stock exchange – including two "dedicated" companies, Kiln Capital and Wellington Underwriting.

WHERE THE NEW MONEY IS COMING FROM

Company	Type	Capital Raised £m	Overall Premium Limit £m	Backer
Wellington Underwriting	Dedicated	17.25	32.00	
Hiscox Dedicated Insurance Fund	Dedicated	26.62	37.00	Trident
Venton Underwriting	Dedicated	13.50	24.54	Trident
Venton Underwriting Group	Dedicated	5.00	9.09	
Hardy Underwriting	Dedicated	2.85	5.00	
Liberty Corporate Capital	Dedicated	40.00	40.00	Liberty Mutual
Matheson Lloyd's Investment Trust	Investment Trust	25.00	40.00	
Euclidian	Investment Trust	20.00	80.00	
MIEC Investment Company	Spread vehicle	2.24	4.48	Medical Underwriters of California
Kiln Capital	Dedicated	25.49	47.86	
Frankona Capital	Corp Syndicate	6.50	10.00	Frankona
Nissan Lloyd's Underwriting	Spread vehicle	2.50	5.00	Nissan Fire & Marine Insurance Co
Archer Dedicated	Dedicated	4.00	7.50	
Tarquin Underwriting	Corp Syndicate	88.00	160.00	Insurance Partners/Harvard
Atrium Capital	Dedicated	3.00	5.26	
DPM Corporate Name	Dedicated	1.50	2.31	
Cox Dedicated Corporate Member	Dedicated	12.00	22.25	
RGB Capital Holdings	Corp Syndicate	9.50	17.53	Frankona
Advent Capital	Dedicated	1.65	1.10	
SCC at Lloyd's	Spread vehicle	1.50	3.00	
Equity Red Star	Dedicated	1.75	3.18	
ZIC Lloyd's Underwriting	Dedicated	3.20	4.57	Zenith Insurance Company
Sextant Corporate Member	Dedicated	1.50	3.00	
North American London Underwriters	Spread vehicle	9.10	14.00	
Mears Incorporated Capital	Spread vehicle	1.70	3.39	
Others not announced:	Spread	1.50	3.00	
	Spread	1.50	3.00	
	Spread	1.50	3.00	
	Spread	1.50	3.00	
Total		331.35	594.06	

NEWS IN BRIEF

ABBEY NATIONAL Independent Financial Advisors has acquired WF Company and its subsidiaries for an undisclosed sum. WF had net assets of £275,000 at March 31.

ALPHAMERIC has received valid acceptances for its open offer in respect of 4.56m new ordinary shares, representing 73.2 per cent. Those not subscribed for will be allotted to placees.

ATREUS has received valid applications for its open offer in respect of 10.9m new ordinary shares, being 76.8 per cent of those available. Some 7.1m shares (9.6 per cent) of the enlarged capital will be placed with the WT Rooney Trust.

BREAK FOR THE BORDER: Throgmorton Preferred Income Trust is to subscribe for 3m 8.75 per cent preference shares with 1.79m warrants attached, at 56p per share.

CARLISLE GROUP, through its Caldbeck Properties subsidiary, has bought a 9,500 sq ft freehold office building in Portland Place, London, for £2.08m cash. It is fully let with an annual rent of £135,000.

DE MORGAN Group has requested the appointment of a receiver following the failure of efforts to secure a refinancing. The shares were suspended at 5½p.

DISCOVERY INNS: Turnover for year to October 1 was £9.34m (£7.62m) and pre-tax profits £1.1m (£629,000). There was a particularly strong performance from group's managed houses and from core tenancies.

MINSTERGATE: Profit before tax £1.21m (£1.28m) in year to August 31. Sales to external customers £4.23m (£3.33m). Earnings 28.4p (30.55p) per share.

PENNA is in negotiations with the concert party which has recently been buying its shares. The talks are about a possible restructuring of the composition of the board.

Doubled bonus for Tate & Lyle chairman

By David Blackwell

The bonus paid to Sir Neil Shaw, chairman and highest paid director of Tate & Lyle, the sugars and sweeteners group, doubled last year to £200,000 for the year to September 24.

Sir Neil's remuneration, excluding pension fund contributions, increased by 26 per cent to £456,000, although his salary eased from £261,000 to £256,000, according to the annual report and accounts published yesterday. For the year 1992-93, his total remuneration fell from £375,000 to £361,000, including a bonus of £100,000.

Last month Tate & Lyle reported record annual profits of £273.8m, up 23 per cent on the previous year, on the back of a strong performance from US cereal sweeteners and starches. Fully diluted earnings per share rose 13 per cent to 37.1p, while the dividend was 11 per cent ahead at 14.4p.

The main factor behind the rise was a turnround at Staley, the US subsidiary, which brought in record results after several years of disputes over working practices at one of its Illinois plants. Just before Christmas the group announced a $78m (£50m) expansion project for Staley which will eventually double capacity for both high fructose corn syrup and modified starch.

Staley's gains last year masked a downturn in the US sugar profits following record beet supplies. But the group would not give specific figures for sugar, in line with a decision to reduce the data it publishes. Sir Neil said it was detrimental to the business to give more information than competitors, many of which were private companies.

Dutch group will get 10 per cent of European office furnishings market

Samas makes German purchase

By Ronald van de Krol in Amsterdam

Samas, the Dutch office furnishings company, said yesterday it had reached final agreement on acquiring a majority stake in Schaerf, the German office furniture maker, from the Schaerf family.

The acquisition will nearly double Samas's annual turnover to Fl 1.4bn ($800m) and will give it 10 per cent of the European market for office furnishings. Samas said this would make it the European market leader.

The company declined to say how much it will pay the Schaerf family for its 58.7 per cent stake. The remaining 41.3 per cent of the Schaerf group's shares do not carry voting rights and are listed on the Frankfurt Stock Exchange. "The Samas group is not considering a bid for these shares", the Dutch company said.

The two companies are largely complementary, both in their products and their geographic markets. Schaerf makes a range of wooden office desk and chairs and generates nearly three-quarters of its sales in Germany, while Samas focuses mainly on the Netherlands, France and Britain.

Schaerf also has production facilities in Poland, the Czech Republic and Hungary, providing the Dutch company with a foothold in Eastern Europe.

Although Samas would not reveal the purchase price, it said part of the financing for the deal would be raised through a rights issue of convertible, cumulative preference shares that would be worth at least Fl 152m before costs.

In the first quarter of 1995, Samas's shareholders will be able to subscribe to one new preference share for every two ordinary shares they own. ING Bank, lead manager, will underwrite the issue at a guaranteed price of at least Fl 74 per preference share.

NEWS DIGEST

Pay rise for Frederick Cooper chief

Mr Ed Kirk, chairman of Frederick Cooper, the architectural hardware, metal finishing and electrical products group, received a 60 per cent rise in emoluments for the year to July 31.

Although his basic salary edged up to £126,000 (£122,000), and benefits rose to £7,000 (£5,000), this time he gained £52,000 in performance-related pay. The company also lifted its contribution to Mr Kirk's pension to £50,000 (£20,000).

In the period, pre-tax profits and fully diluted earnings per share advanced 53 and 59 per cent respectively, to £6.31m and 9.2p. Basic earnings more than doubled to 8.2p (3.4p).

Pre-tax profits from "underlying operations" grew a more modest 30 per cent to £5.45m, while earnings on a fully diluted basis expanded 31 per cent to 7.7p (5.9p) and basic 71 per cent to 6p (3.5p).

Vega contract

Vega Group, the software and systems engineering company, has won a £1m plus training contract. It will teach technicians working on the Tornado fighter bomber and, in the future, the Eurofighter 2000.

In March, Vega won a competition for the Royal Navy's Sea Harrier F/A2 Maintainer Trainer, and in November it was awarded the RAF's Trade Group 3 Systems & Equipment Emulator.

Electric & General

Electric and General Investment, managed by Henderson Administration to seek capital growth through a portfolio of medium-sized companies worldwide, had a net asset value of 208.8p per share at November 30, a decline of 1.6 per cent since the trust's May year end.

Net revenue for the six months amounted to £1.68m, down from a restated £1.8m last time. Earnings were 1.86p (1.99p) but the interim dividend goes up to 1.6p (1.55p).

Danae Inv Trust

Net asset value per capital share fell 18 per cent at Danae Investment Trust over the six months to November 30.

Net revenue for the period slipped to £270,000 (£274,000) for earnings per income share of 3.7p (3.76p). The interim dividend is unchanged at 3.375p and the total for the year is expected to be held at 7.95p.

Alliance Resources

Alliance Resources, the US-based oil and gas exploration and production company, is paying $1.4m (£890,000) for Source Petroleum.

Source, based in Lafayette, Louisiana, generated operating income of $900,000 in the 12 months to April 30, on revenues of $2.7m. Consideration comprises $800,000 cash and the issue of 3.21m Alliance shares at 12p each.

Midlands Elect

Midlands Electricity has acquired a 15 per cent stake in Teesside Power Holdings, the company through which Enron Europe holds its 50 per cent stake in Teesside Power, for an undisclosed amount.

Central Power, Midlands' wholly-owned subsidiary which has bought the stake from Enron, previously had a 19.2 per cent interest in Teesside Power, which has now been, in effect, increased to 26.7 per cent.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
BAT Industries (UK)	American Tobacco (US)	Tobacco	£600m	US government approves
BTR Nylex (Australia)	Formica Corp (US)	Laminates	£397m	BTR arm back buying
Zeneca (UK)	Salick Healthcare (US)	Healthcare	£310m	Zeneca's biggest buy yet
Berisford International (UK)	Welbilt Corp (US)	Kitchen equipment	£295m	Berisford continues mutation
Constitution Re (Luxembourg)	Unit of Xerox (US)	Reinsurance	£256m	Xerox continues financial disposals
Coflexip (France)/Stena Offshore (Sweden)	Merger	Oil & gas services	£147m	Merger completed
Ciba (Switzerland)	Unit of Rhone-Poulenc-Rorer (France/US)	Pharmaceuticals	£121m	Total cost to be $500m
WestLB (Germany)	Banque d'Orsay (France)	Banking	£53m	Groupe Axa divesting
Thomson-CSF (France)	Defence Group (UK)	Electronics	£15m	Thorn EMI continues disposals
Acetex (Canada)	Unit of Rhone-Poulenc (France)	Chemicals	n/a	Another RP disposal

Raglan in £14m property swap

Raglan Properties and Schroder Exempt Property Trust have swapped two property portfolios in a deal worth a total of £14m.

Raglan is acquiring five shops and a small industrial estate for £7.72m while Schroder Exempt will get five shops for £6.22m, the £1.5m difference being satisfied in cash.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

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Prices are determined for every half-hour in each trading day. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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Mercedes-Benz to return to profit

By Judy Dempsey in Berlin

Mercedes-Benz, the luxury car subsidiary of Germany's Daimler-Benz, will be back in the "black" in 1994 following heavy losses of more than DM1.2bn ($760m) for 1993, Mr Helmut Werner, chairman of the board said yesterday in an end-of-year statement. However, he did not disclose the extent of the profits.

At the same time, Mr Werner confirmed that world-wide group sales rose 9 per cent to DM70bn for 1994.

The more optimistic results stem from an upswing in the US and west European economies, a trend which is expected to continue throughout next year. But Mr Werner added that the optimistic forecasts were also based on what he called a "product offensive" in both business areas (cars and trucks), adding that Mercedes will start a complete renewal of van and truck programmes at the start of 1995 with the introduction of its new transport vans.

This year, Mr Werner said car deliveries would rise by 15 per cent, or by more than 585,000 compared with 1993, while deliveries of trucks and buses would grow by a similar margin to 290,000.

For 1995, he added that "we expect an increase in deliveries of cars on the same scale as this year, despite the replacement of our E-Class, and a clear rise to over 300,000 units in commercial vehicles".

Next year, Mercedes-Benz expects its worldwide deliveries of cars to match 1994 levels, while deliveries of commercial vehicles should rise to more than 300,000 units from 290,000 in 1994.

Cadillac Fairview gets court protection

By Bernard Simon in Toronto

Cadillac Fairview, the big Canadian property developer, has obtained court protection from its creditors while it tries to stitch together a financial restructuring.

The Toronto-based company, whose securities are held mainly by North American institutional investors and "vulture" funds, has debts of C$5.3bn (US$3.8bn), including C$2.3bn of mortgages tied to specific properties.

Its developments include the landmark Eaton Centre and Toronto-Dominion Centre in Toronto, Pacific Place in Vancouver, and commercial buildings in several US cities.

Cadillac sought the court order in an effort to prevent nervous creditors triggering a liquidation of assets.

The action was directed mainly at Goldman Sachs, the New York investment bank which holds 28 per cent of Cadillac's senior bank debt, totalling C$1.1bn.

A real-estate investment fund managed by Goldman is also one of four parties which have submitted proposals to acquire a controlling equity stake in Cadillac as part of the proposed restructuring. Despite its balance-sheet problems, Cadillac is widely regarded as having a blue-chip property portfolio.

The other three bidders are New York's Blackstone Group in partnership with J.P.Morgan; a real-estate management firm controlled by US financier Mr Gerald O'Connor, in partnership with the Ontario teachers' pension fund; and a group comprising Canada's Cambridge Shopping Centres and the Caisse de Depot, the Quebec public pension fund.

Mr Justice James Farley gave Cadillac until January 31 to present a draft restructuring plan. During this period, management will be allowed to negotiate with potential investors, without sharing details with the creditors.

However, Goldman Sachs's 28 per cent holding of one class of debt is sufficient to block any proposal which it finds unacceptable.

Telekom sails into unknown waters

Germany's newly privatised utility had a troubled launch, writes Christopher Parkes

Sailing off into unknown waters with neither steersman nor charts is hardly the most promising set of circumstances, least of all for the gaggle of absolute beginners manning Deutsche Telekom. Yet Germany's state-owned telecommunications utility was launched down the privatisation slip-way last week in just such conditions.

Chairman Mr Helmut Ricke was at the Cologne ceremony at which Telekom, the postal service and the post office bank were officially transformed into joint stock companies. But as he had announced two weeks earlier, he was leaving the board "for purely personal reasons".

Mr Tyll Necker, grizzled doyen of German business, was also present but not in the role the government had intended. Just as Mr Ricke had turned down a two-year extension of his contract, Mr Necker had rejected the government's offer of a seat on the Telekom supervisory board.

He was more forthcoming about his cold-shoulder: he was worried about how Mr Gerhard Pfeffermann, state secretary in the post ministry, could reconcile the conflict of interests implicit in his dual role as a representative of Telekom's owners and as a regulator. For his pains he was awarded a verbal mugging from unrepentant post minister Mr Wolfgang Bötsch, who thought his reasons "incomprehensible".

Rejected both by the man who in only four years has wrought deep-seated changes in the monstrous Telekom hierarchy and one of the country's most respected industrial figureheads, Mr Bötsch in turn ejected Mr Peter Bross, from his job as the chief architect of German telecoms liberalisation.

In the kerfuffle which followed, it emerged that there had long been friction between Mr Bross, the technocrat, and Mr Pfeffermann, the politician, over the principles on which the Telekom privatisation is grounded.

Specifically, according to supporters of Mr Bross: talk of liberalisation of telecoms markets – on which swathes of industry are planning huge investments – is "empty political talk".

"We need far more transparency," one government official said. "Who is helped when the minister says he will liberalise telecoms markets by 1998 without explaining what will be liberalised or how?" Mr Ricke's refusal of a contract extension was bad, but Mr Bross's removal set the signals in the wrong direction and would damage Germany's image, he added.

The common thread which appears to link the sequence of defection, rejection and sacking is concern that Telekom's management, which has about 18 months to prepare for the first stage of privatisation and two years to brace itself against the onslaught of free competition is going to find itself hog-tied by political interference and opportunism.

A predominance of politicians on the newly-appointed supervisory board and the consequent underweight representation of business and technical skills is already seen as a potential obstacle. Management plans for major investments, structural changes or top appointments have to be approved by the board of supervisors.

Then there is the government's surrogate, the so-called Federal Institute for Post and Telecommunications which is to act as an umbrella holding company for all three former post office departments.

This 3,500-strong body, which will have certain key tasks such as negotiating employment conditions for a large proportion of Telekom's 230,000 employees, is also to be headed by a group of politicians.

As a recent analysis by Deutsche Bank of the company's prospects pointed out: "The relationship between the holding and its subsidiaries will be an important factor in the valuation of Deutsche Telekom. A key factor will be the ability of the management [Telekom's] to create shareholder value without supervisory conflicts."

Meanwhile, government has to prepare and win approval for new legislation constituting the regulatory framework within which Germany's liberalised telecoms market will function. Existing laws are valid only until 1997, and according to bankers associated with the privatisation share sale, there has been no sign yet of any draft legislation.

In so far as potential combatants have already been removed or retired from the scene, the potential for conflict has been reduced. But Mr Bötsch's refusal to review his decision to post Mr Pfeffermann to the supervisory board, his brusque treatment of Mr Necker and Mr Bross appear to be the deeds of a man determined to have his own way rather than find a consensus.

It is only a matter of weeks since he shocked Telekom with the announcement that Germany would scrap its state monopoly on the federal telecommunications network at the end of 1997. Until then the utility had been working on the assumption, fostered by the minister, that the network monopoly would remain in place until 2000.

Mr Rolf-Dieter Leister, supervisory board chairman, protested immediately. "I certainly do not represent the view that Germany should become the front-runner in European telecoms liberalisation," he said.

He also complained that day-to-day management was hampered by the need for all important decisions to be approved at the political level. If shareholder interest was to be cultivated to assure a successful float, Telekom's mandate had to be clarified as quickly as possible. It was particularly important that it should be able to establish foreign subsidiaries without Mr Bötsch's having the final say.

The minister made a point at last week's ceremony of stressing that the three former post office companies were now free to spread their wings in commercial ventures beyond Germany's borders.

While this is strictly true in German legalistic terms, it fails to take account of the fact that the international playing field – most notably those parts on German and French territory, for example – is in distinct need of levelling.

AT&T of the US was quick to object on these grounds to a proposed deal under which Telekom and its French counterpart want to buy a 20 per cent stake in Sprint, a leading US long-distance carrier. The Federal Communications Commission and/or the Justice Department should prevent the investment until AT&T and other US competitors were allowed equal opportunities in Europe, it said.

Lack of liberalisation was also an important factor in the recent decision of the Brussels competition authorities to block a proposed joint venture in multi-media between Telekom, the Bertelsmann media and music group and Mr Leo Kirch, a Munich film distribution magnate.

If it had been allowed it could have effectively shut out all prospective competition for many years – a state of affairs to which Telekom has grown accustomed over the years, and one to which Mr Bötsch still seems strongly attached.

Time Warner in joint Japanese TV venture

By Patrick Harverson in New York

The US entertainment group Time Warner is planning to form a joint venture with two Japanese companies, Itochu and Toshiba, and the US regional telephone company US West, to spend $400m on building cable television systems in Japan.

Although both Time Warner and US West declined to comment, a spokeswoman for Toshiba in Tokyo yesterday confirmed that the four companies were considering joining forces to set up a company to develop the Japanese cable market.

"We are still in the middle of discussions, but we may finalise a decision soon," she said. She would not give details and said nothing concrete had been decided.

Toshiba and Itochu are already linked to Time Warner through their joint ownership of a 12.5 per cent stake in Time Warner Entertainment, the subsidiary which runs the group's cable television operations. US West owns 25 per cent of the business.

Earlier this month Tele-Communications, the largest US cable operator, announced a joint venture with the Sumitomo Corporation to develop cable systems in Japan.

US ice cream for Vietnam

Baskin-Robbins, the US fast-food and ice cream business, has opened an outlet in Ho Chi Minh City, Vietnam, reports AP-DJ from Hanoi.

California-based Baskin-Robbins is the first US fast-food company to open in Vietnam since Washington lifted an economic embargo in February.

A single-scoop cone sells for 18,000 dong, more than a day's wage for a Vietnamese factory worker.

However, Mr Bui Vi Hoanh, manager, believes growth prospects are good, He said the shop has averaged about 100 customers a day since opening on December 18.

Investment group buys Adidas

By John Ridding in Paris

A group of international investors has taken control of Adidas AG, the German sports equipment company, according to Crédit Lyonnais, the French state-owned bank which sold a 20 per cent stake in the group.

Under the terms of the deal, a consortium of investors including Mr Robert-Louis Dreyfus, the chairman of Adidas AG, will acquire Adidas International Holding, which controls the company. The amount of the transaction is thought to value Adidas at about DM1.4bn ($887m).

The deal marks the latest in a series of ownership changes in the company and reflects the desire by Crédit Lyonnais to dispose of assets to reduce debts. The loss-making bank said it has sold assets worth almost FFr10bn this year as part of a rescue plan.

The group of international investors, joined in a newly-created company called Sogedim, also bought stakes in Adidas International Holding from Assurances Générales de France, the insurer, and several investment funds.

In addition to Mr Dreyfus, a former chief executive of Saatchi and Saatchi, Sogedim includes Mr David Bromelow, a British publisher, Mr Christian Tourres and two US shareholders, Mr Tom Russell and Ms Mary Friday.

Adidas said 1994 profits would confirm the recovery begun in 1993 after losses of DM150m in 1992. It said pre-tax profits would be significantly higher than DM100m, compared with DM34m in 1993.

Credit Suisse nearer to Budapest Bank stake

Credit Suisse, the main banking arm of Swiss financial group CS Holding, confirmed that the Hungarian government has chosen it as the lead contender to take a controlling stake in the planned privatisation of Budapest Bank, reports Reuter from Zurich.

A Credit Suisse spokesman said the Swiss bank would be ready to make a formal offer "by the end of the first quarter of 1995", but declined to speculate on the possible size.

The acquisition would considerably strengthen Credit Suisse's presence in eastern Europe. So far it only has a branch in Moscow and a representative office in Vienna.

Earlier this year, it withdrew an offer to share in the privatisation of Austria's second-largest bank, Creditanstalt, following political opposition.

CS First Boston, the investment banking arm of CS Holding, has been very aggressive in expanding into eastern Europe. Credit Suisse mainly targets commercial banking.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 23, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	5365.58	3462.35	2193.83	3455.44
Albania	(Lek)	155.410	100.472	63.6613	100.271
Algeria	(Dinar)	65.6335	42.4317	26.8857	42.3469
Andorra	(Fr Franc)	8.4310	5.4506	3.4536	5.4397
	(Sp Peseta)	205.989	133.171	84.3802	132.905
Angola	(New Kwanza)	779776.2	504122	319423	503114
Antigua	(E Carr $)	4.1758	2.6995	1.7104	2.6941
Argentina	(Peso)	1.5460	0.9994	0.6332	0.9974
Aruba	(Florin)	2.7682	1.7896	1.1339	1.786
Australia	(Aus $)	1.9903	1.2867	0.8152	1.2841
Austria	(Schilling)	17.1574	11.0921	7.0282	11.07
Azores	(Port Escudo)	250.728	162.095	102.707	161.77
Bahamas	(Bahama $)	1.5468	1	0.6336	0.9979
Bahrain	(Dinar)	0.5831	0.3769	0.2388	0.3762
Balearic Is	(Sp Peseta)	205.989	133.171	84.3802	132.905
Bangladesh	(Taka)	61.5607	39.7987	25.2173	39.7191
Barbados	(Barb $)	3.1105	2.0109	1.2741	2.0069
Belgium	(Belg Fr)	50.0998	32.3889	20.5224	32.3242
Belize	(B $)	3.0980	1.9995	1.2669	1.9955
Benin	(CFA Fr)	843.100	545.061	345.363	543.971
Bermuda	(Bermudian $)	1.5468	1	0.6336	0.9979
Bhutan	(Ngultrum)	48.5525	31.3889	19.8887	31.3262
Bolivia	(Boliviano)	7.2852	4.7098	2.9842	4.7004
Botswana	(Pula)	4.1825	2.7104	1.7173	2.705
Brazil	(Real)	1.3194	0.8529	0.5404	0.8512
Brunei	(Brunei $)	2.2629	1.4629	0.9269	1.46
Bulgaria	(Lev)	102.487	66.2574	41.9822	66.1249
Burkina Faso	(CFA Fr)	843.100	545.061	345.363	543.971
Burma	(Kyat)	9.1509	5.916	3.7485	5.9041
Burundi	(Burundi Fr)	388.240	250.998	159.037	250.494
Cambodia	(Riel)	4033.27	2607.49	1652.17	2602.28
Cameroon	(CFA Fr)	843.100	545.061	345.363	543.971
Canada	(Canadian $)	2.1643	1.3992	0.8865	1.3964
Canary Is	(Sp Peseta)	205.989	133.171	84.3802	132.905
Cp. Verde	(CV Escudo)	128.313	82.9538	52.5614	82.7879
Cayman Is	(CI $)	1.2808	0.828	0.5246	0.8263
Cent.Afr. Rep	(CFA Fr)	843.100	545.061	345.363	543.971
Chad	(CFA Fr)	843.100	545.061	345.363	543.971
Chile	(Chilean Peso)	625.274	404.237	256.134	403.429
China	(Yuan)	13.0696	8.4623	5.3619	8.4453
Colombia	(Col Peso)	1277.82	825.976	523.367	824.324
CIS §	(Rouble)	1.0423o	0.6738	0.4269	0.6724
		5423.86m	3506.5	2221.8	3499.48
Comoros	(Fr)	631.714	408.401	258.772	407.584
Congo (Brazz)	(CFA Fr)	843.100	545.061	345.363	543.971
Costa Rica	(Colon)	253.889	164.138	104.002	163.81
Côte d'Ivoire	(CFA Fr)	843.100	545.061	345.363	543.971
Croatia	(Kuna)	8.8938	5.7498	3.6432	5.7383
Cuba	(Cuban Peso)	1.5465	0.9998	0.6334	0.9978
Cyprus	(Cyprus £)	0.7473	0.4831	0.3061	0.4821
Czech Rep.	(Koruna)	43.6680	28.2318	17.8883	28.1753
Denmark	(Danish Krone)	9.5598	6.1866	3.9201	6.1744
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		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	14.8077	9.5731	6.0657	9.5539
Germany	(D-Mark)	2.4412	1.5782	1	1.575
Ghana	(Cedi)	1600.63	1034.8	655.673	1032.73
Gibraltar	(Gib £)	1.00	0.6464	0.4096	0.6452
Greece	(Drachma)	377.252	243.892	154.535	243.404
Greenland	(Danish Krone)	9.5596	6.1866	3.9201	6.1744
Grenada	(E Carr $)	4.1758	2.6995	1.7104	2.6941
Guadaloupe	(Local Fr)	8.4310	5.4506	3.4536	5.4397
Guam	(US $)	1.5468	1	0.6336	0.9979
Guatemala	(Quetzal)	8.6740	5.6077	3.5531	5.5964
Guinea	(Fr)	1549.76	1001.91	634.835	999.91
Guinea-Bissau	(Peso)	20984.5	13566.4	8595.96	13539.3
Guyana	(Guyanese $)	219.603	141.972	89.9569	141.688
Haiti	(Goude)	29.5227	19.0863	12.0935	19.0481
Honduras	(Lempira)	14.3979	9.3081	5.8978	9.2895
Hong Kong	(HK $)	11.9688	7.7377	4.9028	7.7223
Hungary	(Forint)	176.871	114.346	72.4524	114.118
Iceland	(Icelandic Krona)	106.878	69.0958	43.7813	68.9566
India	(Indian Rupee)	48.5525	31.3889	19.8887	31.3262
Indonesia	(Rupiah)	3388.08	2190.38	1387.87	2186
Iran	(Rial)	2705.36	1749	1108.2	1745.5
Iraq	(Iraqi Dinar)	0.8642	0.5587	0.354	0.5575
Irish Rep	(Punt)	1.0155	0.6565	0.4159	0.6552
Israel	(Shekel)	4.7154	3.0484	1.9316	3.0423
Italy	(Lira)	2537.06	1640.2	1039.27	1636.92
Jamaica	(Jamaican $)	49.4107	31.9438	20.2403	31.8799
Japan	(Yen)	154.992	100.202	63.49	100.001
Jordan	(Jordanian Dinar)	1.0889	0.7039	0.446	0.7025
Kenya	(Kenya Shilling)	69.3605	44.8412	28.4124	44.7515
Kiribati	(Australian $)	1.9903	1.2867	0.8152	1.2841
Korea North	(Won)	3.3250	2.1495	1.362	2.1452
Korea South	(Won)	1223.56	791.027	501.213	789.444
Kuwait	(Kuwaiti Dinar)	0.4645	0.3002	0.1902	0.2996
Laos	(New Kip)	1122.78	725.86	459.921	724.406
Latvia	(Lats)	0.8557	0.5532	0.3505	0.5521
Lebanon	(Lebanese £)	2548.27	1647.45	1043.86	1644.15
Lesotho	(Maluti)	5.5123	3.5636	2.258	3.5565
Liberia	(Liberian $)	1.5468	1	0.6336	0.9979
Libya	(Libyan Dinar)	0.5527	0.3573	0.2264	0.3566
Liechtenstein	(Swiss Fr)	2.0611	1.3324	0.8442	1.3298
Lithuania	(Litas)	6.1880	3.9992	2.5339	3.9912
Luxembourg	(Lux Fr)	50.0993	32.3889	20.5224	32.3242
Macao	(Pataca)	12.3609	7.9912	5.0634	7.9752
Madagascar	(MG Fr)	5691.12	3679.29	2331.28	3671.89
Madeira	(Port Escudo)	250.728	162.095	102.707	161.77
Malawi	(Kwacha)	23.7001	15.322	9.7083	15.2913
Malaysia	(Ringgit)	3.9640	2.5627	1.6237	2.5575
Maldive Is	(Rufiya)	18.2023	11.7677	7.4562	11.7441
Mali Rep	(CFA Fr)	843.100	545.061	345.363	543.971
Malta	(Maltese Lira)	0.5760	0.3723	0.2359	0.3716
Martinique	(Local Fr)	8.4310	5.4506	3.4536	5.4397
Mauritania	(Ouguiya)	188.673	121.976	77.2869	121.732
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		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	47.5304	30.7282	19.47	30.6667
Panama	(Balboa)	1.5468	1	0.6336	0.9979
Papua New Guinea	(Kina)	1.8326	1.1847	0.7506	1.1823
Paraguay	(Guarani)	2961.55	1914.63	1213.15	1910.8
Peru	(New Sol)	3.3379	2.1579	1.3673	2.1536
Philippines	(Peso)	37.3541	24.1492	15.3016	24.1009
Pitcairn Is	(£ Sterling)	1.00	0.6464	0.4096	0.6452
	(NZ $)	2.4074	1.5563	0.9861	1.5532
Poland	(Zloty)	37663.4	24349.2	15428.2	24300.5
Portugal	(Escudo)	250.728	162.095	102.707	161.77
Puerto Rico	(US $)	1.5468	1	0.6336	0.9979
Qatar	(Riyal)	5.6296	3.6395	2.306	3.6322
Reunion Is. de la	(F/Fr)	8.4310	5.4506	3.4536	5.4397
Romania	(Leu)	2743.00	1773.34	1123.63	1769.79
Rwanda	(Fr)	218.750	141.421	89.6075	141.138
St Christopher	(E Carr $)	4.1758	2.6995	1.7104	2.6941
St Helena	(£)	1.00	0.6464	0.4096	0.6452
St Lucia	(E Carr $)	4.1758	2.6995	1.7104	2.6941
St Pierre	(French Fr)	8.4310	5.4506	3.4536	5.4397
St Vincent	(E Carr $)	4.1758	2.6995	1.7104	2.6941
San Marino	(Italian Lira)	2537.06	1640.2	1039.27	1636.92
Sao Tome	(Dobra)	1468.99	949.698	601.749	947.797
Saudi Arabia	(Riyal)	5.8015	3.7506	2.3764	3.7431
Senegal	(CFA Fr)	843.100	545.061	345.363	543.971
Seychelles	(Rupee)	7.7209	4.9915	3.1627	4.9815
Sierra Leone	(Leone)	920.188	594.886	376.933	593.695
Singapore	($)	2.2629	1.4629	0.9269	1.46
Slovakia	(Koruna)	48.8110	31.5561	19.9946	31.4929
Slovenia	(Tolar)	198.138	128.096	81.1641	127.839
Solomon Is	($)	5.0905	3.2909	2.0852	3.2844
Somali Rep	(Shilling)	4051.93	2619.49	1659.77	2614.25
South Africa	(Rand)	5.5123c	3.5636	2.258	3.5565
		6.2676g	4.0849	2.5768	4.0597
Spain	(Peseta)	205.989	133.171	84.3802	132.905
Spanish Ports in N Africa	(Sp Peseta)	205.989	133.171	84.3802	132.905
Sri Lanka	(Rupee)	76.7729	49.6333	31.4488	49.534
Sudan Rep	(Dinar)	48.09962	31.0961	19.7032	31.034
Surinam	(Guilder)	511.118	330.436	209.372	329.775
Swaziland	(Lilangeni)	5.5123	3.5636	2.258	3.5565
Sweden	(Krona)	11.5896	7.4927	4.7475	7.4777
Switzerland	(Fr)	2.0611	1.3324	0.8442	1.3298
Syria	(£)	35.5696	22.9955	14.5704	22.9495
Taiwan	($)	40.8419	26.4041	16.7302	26.3513
Tanzania	(Shilling)	810.366	523.898	331.954	522.851
Thailand	(Baht)	38.8544	25.1192	15.9161	25.0689
Togo Rep	(CFA Fr)	843.100	545.061	345.363	543.971
Tonga Is	(Pa'anga)	1.9903	1.2867	0.8152	1.2841
Trinidad/Tobago	($)	9.7764	6.3738	3.9961	6.3625
Tunisia	(Dinar)	1.5487	1.0012	0.6344	0.9992
Turkey	(Lira)	58622.9	38028.8	24096.8	37952.7
Turks & Caicos	(US $)	1.5468	1	0.6336	0.9979
Tuvalu	(Australian $)	1.9903	1.2867	0.8152	1.2841
Uganda	(New Shilling)	1415.95	914.934	579.863	912.994
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Special Drawing Rights December 22, 1994 [illegible]

Abbreviations: [illegible] Publication dates for The FT Guide to World Currencies over the New Year: [illegible] Friday, December 23, 1994

INTERNATIONAL CAPITAL MARKETS

Loans have become a cheap alternative to bonds this year. **Martin Brice** looks at prospects for 1995

Syndicated lenders take another look at covenants as pricing nears the floor

OUTLOOK 95

THE big issue in the syndicated loans market this year has been pricing, as margins have fallen by up to 50 per cent. The questions for 1995 are whether pricing will fall further, and whether covenants will become weaker.

Although bankers are divided on the direction of pricing, one thing is certain. If margins fall any further, banks will start paying borrowers to take out loans. As one banker said last week: "We are close to the floor now. There is not much room for movement."

As for covenants, while some bankers expect to see weaker structures, others are not so sure. "What won't happen this time around in the economic cycle is a dramatic weakening of covenants," said one banker. "People have learnt from some pretty ghastly experiences in the recession, so they will compete on price."

The fall in pricing has been most evident in loans for strong, respected names. Some bankers expect this movement to transfer to names not rated so highly. "While liquidity remains strong, there remains strong pressure on pricing for lesser quality credits," said one market participant.

On the question of pricing, the jumbo loan for Sweden and the Ecu6bn deal for Spain set benchmarks. The Spain deal was priced at 4.25 basis points for the facility fee and a margin of 4.5 basis points over the London interbank offered rate (Libor).

This level of pricing raised eyebrows, but within months even this margin had been cut, with Citibank and J.P. Morgan arranging $6bn for Sweden at a facility fee of 4 basis points and a spread if drawn of 4 basis points over Libor. The fall in pricing has been rapid; as one banker at another house said: "Margins have come down faster than we expected."

Bankers behind the $6bn syndicated loan for Sweden are planning a dinner to celebrate the completion of the deal. Appropriately, as Sweden voted to join the European Union this year, they plan a trip on Eurostar, the Channel Tunnel train, to Brussels. "Good luck to them," said a banker not involved in the deal.

However, bankers are not the only people with cause to celebrate that loan, which was unquestionably a benchmark deal in the international lending market.

The Riksgalds Kontoret, or Swedish National Debt Office, also has cause to celebrate. It now has a total of $6bn available from 46 banks, for a total annual fee of just $2.4m.

Sweden will use the money to pay off two more expensive existing loans, of which around $1bn is outstanding, so this loan means Sweden starts the year with $5bn in reserve. Since its borrowing requirement for 1994 was around $24.5bn, it seems well placed for 1995.

If the rocky ride in the bond markets continues, we may see Sweden return to the syndicated lending market for funding. If it does, observers will be very interested to see what price it pays.

One thing is certain. If margins fall any further, banks will start paying borrowers to take out loans

Corporate borrowers from Scandinavia have also been active this year in the loans market, where they can now get prices similar to those prevailing at the end of the 1980s, when 25 basis points over Libor was available.

Televerket of Norway and Vattenfall of Sweden have secured funds this year at around 19 basis points over Libor, and bankers point out that last year they would have had to pay around 40 basis points over.

Borrowers coming to the loans market to escape bruising in the bond markets is likely to be a feature of 1995.

Italy is one area where uncertainty in the bond market may prompt borrowers to access the market for international credits.

NatWest Markets has recently arranged a deal for Finmeccanica, the big Italian state-owned engineering group, thereby opening up the Italian corporate sector of the syndicated loans market after a gap of several years. This deal was priced at 40 basis points over Libor.

Another feature of 1994 has been the reappearance of Japanese banks, which have fought aggressively for loans. Although this may have had an effect on the fall in pricing, a glance at the names of banks in syndicates for loans shows that their influence is not overbearing.

As one banker said: "There is no question that Japanese banks have been active, but it [the fall in pricing] is global, not just a specific part of the investor world."

Other bankers point to the names in both the Sweden and Spain deals this year, where apart from domestic banks, there were 28 institutions from eight countries involved.

The list for the $1.5bn loan for Airbus Finance shows that of the 49 banks in the deal, only 13 are Japanese. This deal, arranged by J.P. Morgan, was launched into syndication as a $1bn loan but attracted commitments of more than $2.3bn, and was increased to $1.5bn.

The Airbus Finance deal is notable in that the loan is guaranteed by the four parents of Airbus until the long-term unsecured and unguaranteed debt of Airbus Finance is rated at A1 or A+ or equivalent by two credit rating agencies. At that point the guarantee ends.

As a banker said: "Pricing has continued to fall and structures [covenants] continue to get weaker. We are at the stage where margins on high quality credits are wafer thin. This is a cyclical problem with the syndicated loans market and I don't expect any change from other cycles. There will be loan losses, and margins will rise."

However, one borrower for whom margins are unlikely to rise for the next five years is John Lewis, the UK retailer. N.M. Rothschild has arranged an innovative £140m facility which allows the company to lock in at existing rates, during the life of the five-year facility, which is limited to a core of banks which already have a relationship with the company.

A banker close to the deal said: "If the market continues to improve in its favour, the company will get the benefits."

Another benchmark deal was the £350m loan for East Midlands Electricity, the UK power utility, which was priced at a facility fee of 7 basis points on the undrawn portion of the loan and a margin of 15 basis points over Libor on the drawn part of the loan.

Although widely regarded in the market as a deal too far at the time, nevertheless the loan was completed. A banker close to the deal said: "It met resistance but it was done."

While the deals for Sweden and Spain set benchmarks, a deal for Thai International Airways has raised eyebrows. This 10-year, $115m loan guaranteed by the Thai Ministry of Finance is believed to be priced at Libor flat, leaving banks with little if any profit.

"This is just absurd. We have our mouths open in amazement. The market has gone berserk again," said one banker.

One person giving the impression of keeping his feet firmly on the ground among all this is Mr Walter Shipley, chairman and chief executive of Chemical Bank, a leader in the syndicated loans market.

Mr Shipley has said publicly that Chemical is prepared to lose its dominance of the US market in loans rather than yield to pressure for looser terms. This raised eyebrows among competitors, since Chemical is perceived to set some of the most aggressive terms for loans.

His concern on covenants was shared by the Bank for International Settlements, which, in its November quarterly report on financial market trends, highlighted the rise in popularity of loans.

The report said: "The high volume of loanable funds stimulated competition to win business: the average maturity of loans was increased, spreads charged over inter-bank rates were reduced and covenant clauses were further relaxed."

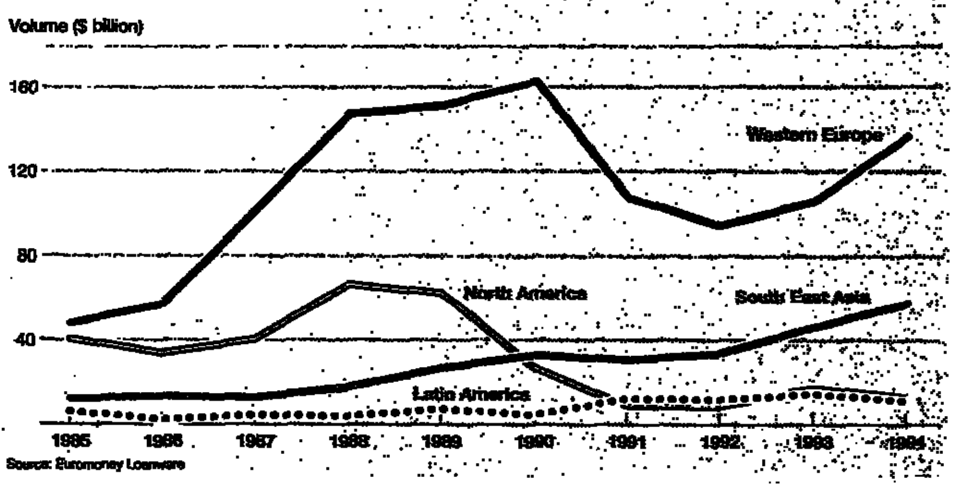
The report also said institutional investors' reluctance to commit funds at fixed interest rates for long periods led an increasing number of lower-rated or lesser-known borrowers to turn to syndicated loans.

This has led some market participants and regulators to caution against the risk of a reversion to the low credit standards which prevailed in the late 1980s.

As one observer said last week: "It would be nice if bankers had longer memories." However, he added: "There are too many banks in the world and there is too great a supply of money compared to weak demand."

International loans

Volume ($ billion)



Source: Euromoney Loanware

Arrangers of international loans 1994 ($bn)

	name	amount	number
1	Chemical Bank	15.78	95
2	National Westminster Bank	14.48	168
3	Citicorp	11.75	120
4	Barclays Bank	11.15	108
5	ABN-Amro Bank	8.46	92
6	J.P. Morgan	7.76	54
7	Deutsche Bank	7.43	78
8	Hongkong Bank/Midland Group	7.18	119
9	CSFB/Credit Suisse	6.50	38
10	Union Bank of Switzerland	6.20	79
11	Chase Manhattan Bank	5.88	84
12	Chiao Tung Bank	5.52	1
13	Sumitomo Bank	5.08	124
14	Bank of America	4.69	67
15	Bankers Trust	4.67	37
16	Banque Indosuez	4.44	38
17	Société Générale	4.41	70
18	SmithKline Beecham	4.00	4
19	Fuji Bank	3.99	107
20	WestLB Group	3.36	78
21	Enskilda Corporate	3.30	27
22	Grand Metropolitan	3.10	1
23	IBJ	3.03	42
24	Lloyds Bank Capital Markets	3.00	57
25	Banque Nationale de Paris	2.92	30
26	Bank of Nova Scotia	2.91	13
27	Crédit Lyonnais	2.65	45
28	Swiss Bank Corp	2.20	14
29	Hill Samuel Bank	2.19	33
30	Dresdner Bank	2.09	32
31	Standard Chartered Bank	1.97	59
32	Sanwa Bank	1.96	66
33	Commerzbank	1.91	33
34	Dai-Ichi Kangyo Bank	1.86	55
35	Bank of Tokyo	1.83	39
36	Bank Bumiputra Malaysia	1.83	7
37	Royal Bank of Canada	1.81	11
38	Mitsubishi Bank	1.73	59
39	International Finance Corp	1.71	49
40	Toronto-Dominion Bank	1.67	7
41	ING Bank	1.66	34
42	N.M. Rothschild & Sons	1.62	20
43	Sakura Bank	1.51	39
44	Malayan Banking	1.46	21
45	Schroders	1.36	18
46	Royal Bank of Scotland	1.31	35
47	Argentaria	1.21	11
48	Hanson	1.15	1
49	NationsBank	1.10	10
50	Bayerische Landesbank	1.07	30

Signed loans only. Source: Euromoney Loanware.

Treasuries rise across maturity spectrum

By Lisa Branston in New York and Conner Middelmann in London

US Treasury prices rose across the maturity spectrum in light trading yesterday morning.

At midday, the benchmark 30-year government bond was up $\frac{9}{32}$ at $96\frac{21}{32}$, yielding 7.767 per cent, and the two-year note rose ¼ to $99\frac{25}{32}$, yielding 7.638 per cent.

Prices dipped early in the morning after the Conference Board released a stronger than expected report showing the

GOVERNMENT BONDS

Consumer confidence index rose to 102.2 in December from 100.4 in November.

Later, prices recovered amid short-selling by traders reacting to reports of relatively weak home sales and lower than expected retail sales.

Anecdotal reports indicated many retailers slashed prices to move Christmas goods. Sales of single-family homes fell 2.6 per cent in November, according to the National Association of Realtors.

■ European markets were very quiet, with most participants on holiday and the UK market closed. German bonds got a small lift from firmer US Treasuries, and the March bund futures contract on DTB ended at 98.84, up 0.08, albeit on extremely thin volume.

The German government will launch its year-end bond today. The first tranche of the 10-year paper – expected to carry a 7.5 per cent coupon – will be placed via the traditional bond consortium and a second tranche is due to be auctioned tomorrow.

■ In Spain, continued jitters surrounding political scandals undermined the market, causing the March bond future to tumble by 0.68 to 84.20.

In Italy, the March bond future rose by 0.29 to 99.82, despite continued political uncertainty following Mr Silvio Berlusconi's resignation last week as prime minister.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.500	08/04	92.7400	–	10.19	10.22	10.34
Belgium		7.750	10/04	96.2900	+0.090	8.31	8.38	8.22
Canada *		9.000	12/04	99.5500	–	9.07	9.09	9.12
Denmark		7.000	12/04	87.6500	-0.100	8.92	8.79	8.60
France	BTAN	8.000	05/98	100.7600	+0.060	7.69	7.69	7.31
	OAT	7.500	04/05	96.0200	+0.210	8.07	8.16	7.93
Germany Bund		7.500	11/04	100.1700	+0.130	7.47	7.47	7.28
Italy		8.500	08/04	80.9400	+0.240	11.88†	12.00	11.58
Japan	No 119	4.800	06/99	103.6400	–	3.86	3.91	3.95
	No 164	4.100	12/03	97.1940	+0.157	4.54	4.62	4.69
Netherlands		7.250	10/04	97.2400	-0.010	7.65	7.65	7.42
Spain		10.000	02/05	88.9500	-0.540	11.53	11.33	11.10
UK Gilts		6.000	08/99	90-23	–	8.46	8.47	8.26
		6.750	11/04	86-17	–	8.49	8.48	8.40
		9.000	10/08	104-08	–	8.47	8.47	8.39
US Treasury *		7.875	11/04	100-19	+13/32	7.78	7.81	7.85
		7.500	11/24	96-22	+24/32	7.79	7.84	7.98
ECU (French Govt)		6.000	04/04	84.1700	+0.010	8.52	8.55	8.33

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. *Source: MMS International*

US INTEREST RATES

Lunchtime

Prime rate	8½	One month	5.75	Two year	7.65
Broker loan rate	8½	Two month	5.58	Three year	7.75
Fed.funds	5¾	Three month	5.64	Five year	7.80
Fed.funds at intervention	-	Six month	6.45	10-year	7.78
		One year	7.12	30-year	7.75

(Treasury Bills and Bond Yields)

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.30	93.29	+0.01	93.32	93.27	3,223	50,023
Jun	92.91	92.94	+0.04	92.95	92.90	1,082	48,070
Sep	92.70	92.72	+0.04	92.74	92.69	709	29,734
Dec	92.51	92.53	+0.03	92.55	92.50	395	18,620

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.18	111.32	+0.26	111.36	111.08	3,223	50,0230
Jun	110.48	110.66	+0.28	110.48	110.46	1,082	48,070
Sep	109.90	110.08	+0.28	109.90	109.90	709	29,734

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	81.14	81.26	+0.14	81.24	81.14	138	6,144

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	84.87	84.19	-0.68	84.87	84.05	14,237	40,396

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jan	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Mar	PUTS Jun
110	-	-	-	0.02	-	-
111	0.40	1.46	-	0.10	-	-
112	0.05	-	-	0.80	-	-
113	0.01	0.60	-	-	-	-
114	-	-	-	-	-	-

Est. vol. total, Calls 4,692 Puts 1,615. Previous day's open int., Calls 191,877 Puts 152,516.

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	99-27	100-10	+0-16	100-13	99-26	136,259	348,969
Jun	99-20	99-31	+0-16	100-01	99-20	11,143	11,139
Sep	99-15	99-23	+0-08	99-23	99-15	705	870

EMS EUROPEAN CURRENCY UNIT RATES

Dec 27	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	40.2123	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	1.94964	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	0.808628	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	7.43679	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	6.53883	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	192.854	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	154.250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NON ERM MEMBERS						
Greece	264.513	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	1793.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	0.786749	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

COMMODITIES PRICES

BASE METALS

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Dec	137.20	+1.15	137.30	136.40	1,997	651
Jan	137.20	+1.10	137.10	136.55	2,550	68
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

PRECIOUS METALS

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SILVER COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	17.32	-0.03	17.38	17.26	105,252	15,891
Mar	17.30	+0.05	17.32	17.20	56,375	5,861
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	408/2	+3/4	409/6	405/6	45,297	7,198
May	381/6	+5/0	382/4	380/0	7,907	887
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

SOFTS

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1311	-11	[illegible]	[illegible]	[illegible]	[illegible]
May	1330	-13	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

Dec. 27	Price	Prev. day
Daily	[illegible]	[illegible]

■ COFFEE "C" CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

Dec. 22	Price	Prev. day
Comp. daily	[illegible]	[illegible]
15 day average	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

Softs continued

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 27 / Sch) · BELGIUM/LUXEMBOURG (Dec 27 / Frs.) · DENMARK (Dec 27 / Kr) · FINLAND (Dec 27 / Mkk) · FRANCE (Dec 27 / Frs.) · GERMANY (Dec 27 / Dm.) · ITALY (Dec 27 / Lira) · NETHERLANDS (Dec 27 / Fl.) · NORWAY (Dec 27 / Kroner) · SPAIN (Dec 27 / Pts.) · SWEDEN (Dec 27 / Kronor) · SWITZERLAND (Dec 27 / Frs.)

[illegible]

PACIFIC

JAPAN (Dec 27 / Yen) · AUSTRALIA (Dec 23 / Aust$) · HONG KONG (Dec 23 / H.K.$) · MALAYSIA (Dec 27 / MYR) · SINGAPORE (Dec 27 / S$)

[illegible]

NORTH AMERICA

CANADA · TORONTO (Dec 23 / Can $) 4 pm close · MONTREAL (Dec 23 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Dec 27 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are usually last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ≠ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO – MOST ACTIVE STOCKS: Tuesday, December 27, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sakai Ovex	8.2m	735	+15	NEC	2.4m	1150	+30
Nippon Steel	3.6m	374		Oki Electric	2.4m	741	+16
Kawasaki Steel	2.7m	408	-1	Minolta	2.3m	539	-1
Mazda Motor	2.8m	561	-9	Konica	2.3m	805	+5
Keisei Elec	2.8m	820	+46	Aomori Bank	2.0m	599	-1

INDICES

[illegible]

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	1969.0	1955.0	-9.0	1970.0	1952.0	11,405	23,095
Jan	1977.5	1963.5	-9.0	1977.5	1958.0	5,089	12,913
Feb	1987.5	1973.5	-9.0	1987.5	1987.5	1	1,068

Open interest figures for previous day.

US INDICES

Dow Jones	Dec 23	Dec 22	Dec 21	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3833.43	3814.92	3801.80	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	93.85	93.81	94.06	105.61 (21/1/94)	93.61 (28/11/94)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1434.54	1408.85	1401.00	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	181.19	181.98	181.72	227.08 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3860.01 (3850.59) Low 3808.53 (3780.81) (Theoretical♣)
Day's high 3846.69 (3828.72) Low 3811.58 (3800.79) (Actual♣)

Standard and Poors	Dec 23	Dec 22	Dec 21	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	459.83	459.67	459.61	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	547.67	547.39	545.49	583.10 (28/10/94)	510.65 (21/4/94)	583.10 (28/10/94)	3.62 (21/6/32)
Financial	41.59	41.53	41.98	46.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	250.95	250.71	250.94	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	428.76	427.52	427.93	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	742.19	739.34	737.12	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Dec 23	Dec 16	Dec 9	Year ago
Dow Jones Ind. Div. Yield	2.78	2.80	2.88	2.67
	Dec 21	Dec 14	Dec 7	Year ago
S & P Ind. Div. yield	2.45	2.47	2.48	2.40
S & P Ind. P/E ratio	18.68	18.40	18.29	27.43

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	463.75	465.95	+2.40	468.60	463.75	15,814	201,753
Jun	469.00	470.45	+2.40	470.70	469.00	23	6,959
Sep	-	475.90	-	475.90	-	4	2,156

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	12,888,000	40¾	+⅛
Gen Motors	5,067,600	41⅛	+2
Exxon	4,533,900	61⅝	+1⅜
RJR Nabisco	4,314,800	5⅝	+½
Pet Inc	2,736,300	20⅝	+2⅛
Wal-Mart	2,371,900	21⅞	-⅛
Ford Motor	2,195,800	28⅝	+⅛
Citicorp	2,134,300	41⅞	+⅛
Philip Morris	2,044,500	58⅝	+⅛
Merck	1,677,100	38⅝	+⅛

TRADING ACTIVITY

● Volume (million)

	Dec 23	Dec 22	Dec 21
New York SE	198.408	339.671	378.797
Amex	15.174	17.773	20.152
NASDAQ	193.850	330.834	325.483
NYSE			
Issues Traded	2,911	2,958	2,958
Rises	1,215	1,100	1,455
Falls	947	1,202	879
Unchanged	749	656	624
New Highs	27	41	45
New Lows	90	121	103

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

CURRENCIES AND MONEY

Markets report

Peso slumps to record low against US dollar

IN the aftermath of the Christmas holiday, the American foreign exchange markets continued to provide the main focus of market interest, *writes Lisa Bransten and Gillian Tett.*

Although the dollar was largely steady against the major currencies, the peso hit new record lows against the US currency.

Meanwhile trading in Europe was extremely quiet, with London and several other major exchanges still closed after the Christmas holiday.

■ The peso continued to be the main focus of the day, as it plunged to a new low point against the dollar in nervous trading.

During the morning in New York it was trading in the range of NP5.4 to NP5.7 against the dollar as that currency continued the free-fall that had begun when the Mexican government first devalued and then floated the currency last week.

Activity in the peso market was extremely volatile. Many traders were watching the Mexican stock market for clues about what the currency might do.

The Bolsa fell sharply early in the morning, but recovered later as traders looked for bargains among Mexican stocks.

This nervous trading followed a sharp fall in the Mexican currency on Monday, when the peso fell by another 7 per cent against the US dollar, after losing 30 per cent of its value last week.

Some traders attributed the peso's new lows to growing tension in the poor southern state of Chiapas as the anniversary of the peasant uprising in that state approaches.

On January 1 of this year a group that named itself after Mexican revolutionary Emilliano Zapata launched a rebellion against state authorities.

While most violence ended shortly after the uprising, the government is now said to be building up troops in the region as rebels threaten to renew fighting.

■ Trading in the dollar, by contrast, was quieter, with the currency remaining largely range bound against the main European currencies.

Even the main U.S. economic data of the day, a jump to a four and a half year high in the Conference Board's consumer confidence, had no more than a brief, minor impact on trading.

By midday the US currency was mixed against the Japanese yen and the D-Mark. The dollar rose modestly to Y100.42,

while falling slightly to DM1.5679 against the German currency.

Margaret Kudarauskas, a senior foreign exchange analyst at Thomson Financial Services said there was no fundamental reason for the dollar's gain against the yen. "I think it is still in a range, it is just on the firmer end of it," she said.

She added that rumours of orders to sell large amounts of dollars of the currency runs up between Y100.50 and Y101 would probably keep the US currency below the Y100.50 mark.

The dollar's loss against the D-Mark came as the US currency gained against other European currencies. However volume on US currency markets was extremely light because there was very little trading.

Most market activity yesterday – and most of last week – was due to companies purchasing foreign exchange for business reasons, not traders betting on rising or falling currency values, according to Ms Kudarauskas.

■ Trading in Europe was extremely quiet yesterday, with the London exchanges remaining closed. Sterling weakened slightly against the D-Mark, closing at DM2.438, down from Friday's close of DM2.441.

Against the American currency it also weakened fractionally, closing at $1.546, down from $1.547 at the close on Friday.

Trading in the European crosses was also extremely quiet, although the lira slipped slightly against the D-Mark, as the Italian currency continued to be undermined by the political uncertainty gripping the country.

■ The Turkish central bank raised its overnight lending rate to 110 percent in the afternoon from 95 opening to control dollar rates, bankers said.

POUND SPOT FORWARD AGAINST THE POUND

Dec 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1638	+0.0064	544 - 732	17.1732	17.0918	17.15	1.0	17.1094	1.3	-	-	-
Belgium	(BFr)	50.0734	-0.0259	347 - 120	50.1120	49.9660	50.0884	-0.4	49.9684	0.8	49.3684	1.4	-
Denmark	(DKr)	9.5643	-0.0055	589 - 697	9.5697	9.5427	9.561	0.4	9.5685	-0.2	9.535	0.3	-
Finland	(FM)	7.3761	-0.0149	659 - 862	7.3862	7.3470	-	-	-	-	-	-	-
France	(FFr)	8.4215	-0.0095	180 - 250	8.4250	8.4017	8.4203	0.2	8.4163	0.2	8.3635	0.7	-
Germany	(DM)	2.4385	-0.0027	371 - 399	2.4399	2.4342	2.4379	0.3	2.4337	0.8	2.3991	1.6	-
Greece	(Dr)	377.114	-0.139	760 - 468	377.468	376.852	-	-	-	-	-	-	-
Ireland	(I£)	1.0134	-0.0021	126 - 142	1.0142	1.0127	1.0136	-0.2	1.0126	0.3	1.0115	0.2	-
Italy	(L)	2539.38	+2.3	776 - 095	2540.95	2532.30	2546.08	-3.2	2557.56	-2.9	2610.11	-2.8	-
Luxembourg	(LFr)	50.0734	-0.0259	347 - 120	50.1120	49.9660	50.0884	-0.4	49.9684	0.8	49.3684	1.4	-
Netherlands	(Fl)	2.7288	-0.0024	271 - 305	2.7305	2.7233	2.7279	0.4	2.7236	0.8	2.6868	1.5	-
Norway	(NKr)	10.6438	-0.0056	380 - 495	10.6495	10.6066	10.6441	0.0	10.6427	0.0	10.6338	0.1	-
Portugal	(Es)	250.533	-0.195	297 - 769	250.769	250.061	251.363	-3.9	252.828	-3.7	-	-	-
Spain	(Pta)	206.218	+0.229	082 - 354	206.354	205.579	206.608	-2.3	207.263	-2.0	209.998	-1.8	-
Sweden	(SKr)	11.5794	-0.0104	689 - 898	11.5898	11.5449	11.5964	-1.8	11.6289	-1.7	11.7479	-1.5	-
Switzerland	(SFr)	2.0590	-0.0031	585 - 594	2.0594	2.0566	2.0547	1.9	2.048	1.9	2.0029	2.7	-
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	-
Ecu	-	1.2822	-0.0008	812 - 831	1.2831	1.2795	1.2826	-0.3	1.2825	-0.1	1.2748	0.6	-
SDR†	-	0.934626	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5459	-0.0001	452 - 465	1.5465	1.5400	-	-	-	-	-	-	-
Brazil	(R)	1.3176	-0.0018	156 - 196	1.3196	1.3125	-	-	-	-	-	-	-
Canada	(C$)	2.1652	+0.0009	641 - 663	2.1663	2.1566	2.1656	-0.2	2.1686	-0.3	2.1764	-0.5	-
Mexico	(New Peso)	8.7378	+1.5067	803 - 953	8.8953	7.8566	-	-	-	-	-	-	-
USA	($)	1.5465	-0.0003	460 - 470	1.5470	1.5405	1.5464	0.1	1.5464	0.0	1.5465	0.0	-
Pacific/Middle East/Africa													
Australia	(A$)	1.9923	+0.002	907 - 939	1.9936	1.9821	1.9942	-1.1	1.9987	-1.3	2.028	-1.8	-
Hong Kong	(HK$)	11.9676	-0.0012	629 - 722	11.9722	11.9212	11.9136	5.4	11.9131	1.8	11.9281	0.3	-
India	(Rs)	48.5717	+0.0192	483 - 951	48.5951	48.3720	-	-	-	-	-	-	-
Japan	(Y)	155.316	+0.324	188 - 443	155.443	154.700	154.831	3.7	153.771	4.0	147.896	4.8	-
Malaysia	(M$)	3.9618	-0.0022	593 - 642	3.9642	3.9439	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4046	-0.0028	025 - 067	2.4067	2.3981	2.4109	-3.2	2.4231	-3.1	2.4611	-2.4	-
Philippines	(Peso)	37.3481	-0.006	494 - 468	37.7468	36.9494	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8012	-0.0003	989 - 034	5.7989	5.7786	-	-	-	-	-	-	-
Singapore	(S$)	2.2641	+0.0012	626 - 656	2.2658	2.2557	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5122	-0.0001	092 - 151	5.5151	5.4911	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.2943	+0.0067	768 - 118	6.3118	6.2820	-	-	-	-	-	-	-
South Korea	(Won)	1222.26	-1.28	180 - 275	1222.75	1216.38	-	-	-	-	-	-	-
Taiwan	(T$)	40.9000	+0.0581	817 - 182	40.9182	40.6630	-	-	-	-	-	-	-
Thailand	(Bt)	38.8597	+0.0053	433 - 761	38.8761	38.6970	-	-	-	-	-	-	-

†SDR rates for Dec 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.0985	+0.006	960 - 010	11.1125	11.0935	11.091	0.8	11.0745	0.9	10.977	1.1	104.5
Belgium	(BFr)	32.3785	-0.0115	640 - 930	32.4300	32.3640	32.3635	0.8	32.3135	0.8	31.9785	1.2	106.2
Denmark	(DKr)	6.1845	-0.0025	830 - 860	6.1961	6.1810	6.1857	-0.2	6.1868	-0.1	6.172	0.2	104.9
Finland	(FM)	4.7695	-0.0065	645 - 745	4.7854	4.7552	4.7673	0.6	4.764	0.5	4.747	0.5	83.9
France	(FFr)	5.4455	-0.0053	450 - 460	5.4580	5.4380	5.4437	0.4	5.4407	0.4	5.4075	0.7	109.5
Germany	(D)	1.5768	-0.0015	764 - 772	1.5825	1.5757	1.5762	0.5	1.5739	0.7	1.5536	1.5	107.1
Greece	(Dr)	243.850	-0.05	700 - 000	244.350	243.700	246.35	-12.3	251.3	-12.2	268.6	-10.1	68.2
Ireland	(I£)	1.5261	+0.0028	253 - 268	1.5268	1.5207	1.5266	-0.4	1.5267	-0.1	1.5269	-0.1	-
Italy	(L)	1642.00	+1.75	150 - 250	1643.00	1639.07	1645.75	-2.7	1653	-2.7	1686	-2.6	73.6
Luxembourg	(LFr)	32.3785	-0.0115	640 - 930	32.3640	32.3670	32.3635	0.5	32.3135	0.8	31.9785	1.2	106.2
Netherlands	(Fl)	1.7645	-0.0013	640 - 650	1.7690	1.7640	1.7637	0.6	1.7612	0.7	1.7393	1.4	105.9
Norway	(NKr)	6.8825	-0.0025	810 - 840	6.9056	6.8718	6.8827	0.0	6.885	-0.1	6.8225	0.9	96.0
Portugal	(Es)	162.000	-0.1	900 - 100	162.200	161.800	162.625	-4.6	163.75	-4.3	167.75	-3.5	94.8
Spain	(Pta)	133.345	+0.17	300 - 390	133.520	133.220	133.58	-2.1	134.02	-2.0	135.845	-1.9	79.7
Sweden	(SKr)	7.4875	-0.0065	831 - 918	7.5127	7.4813	7.4988	-1.8	7.52	-1.7	7.6025	-1.5	81.6
Switzerland	(SFr)	1.3307	-0.0018	302 - 312	1.3355	1.3302	1.3285	2.0	1.3242	2.0	1.2965	2.6	106.6
UK	(£)	1.5465	-0.0003	460 - 470	1.5470	1.5405	1.5464	0.1	1.5464	0.0	1.548	0.0	88.2
Ecu	-	1.2062	+0.0004	057 - 067	1.2083	1.2043	1.206	0.2	1.2062	0.0	1.2127	-0.5	-
SDR†	-	1.44867	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	+0.0001	995 - 997	0.9997	0.9995	-	-	-	-	-	-	-
Brazil	(R)	0.8520	-0.001	510 - 530	0.8530	0.8500	-	-	-	-	-	-	-
Canada	(C$)	1.4001	+0.0008	998 - 003	1.4005	1.3990	1.4003	-0.1	1.4021	-0.6	1.4111	-0.8	81.5
Mexico	(New Peso)	5.6500	+0.975	500 - 500	5.7500	5.1000	5.651	-0.2	5.6528	-0.2	5.6602	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.9
Pacific/Middle East/Africa													
Australia	(A$)	1.2882	+0.0014	878 - 888	1.2888	1.2856	1.2889	-0.7	1.2907	-0.8	1.3035	-1.2	92.3
Hong Kong	(HK$)	7.7385	+0.0005	380 - 390	7.7390	7.7380	7.7365	0.3	7.7353	0.2	7.743	-0.1	-
India	(Rs)	31.4075	+0.0175	025 - 125	31.4150	31.3650	31.4775	-2.7	31.6225	-2.7	-	-	-
Japan	(Y)	100.430	+0.225	380 - 480	100.500	100.300	100.11	3.8	99.44	3.9	95.845	4.6	149.4
Malaysia	(M$)	2.5618	-0.001	610 - 625	2.5630	2.5585	2.5587	1.4	2.5543	1.2	2.5823	-0.8	-
New Zealand	(NZ$)	1.5548	-0.0016	540 - 556	1.5576	1.5540	1.5557	-0.7	1.5582	-0.9	1.5672	-0.8	-
Philippines	(Peso)	24.1500	-	000 - 000	24.4000	23.9000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7512	+0.0004	509 - 514	3.7514	3.7509	3.7548	-1.1	3.7617	-1.1	3.7762	-0.7	-
Singapore	(S$)	1.4640	+0.001	635 - 645	1.4645	1.4634	1.4625	1.3	1.459	1.4	1.4425	1.5	-
S Africa (Com.)	(R)	3.5643	+0.0005	635 - 650	3.5695	3.5585	3.5798	-5.2	3.6119	-6.3	3.7768	-6.0	-
S Africa (Fin.)	(R)	4.0700	+0.005	600 - 800	4.0800	4.0600	4.098	-8.3	4.1425	-7.1	4.38	-7.6	-
South Korea	(Won)	790.350	-0.7	300 - 400	790.600	790.300	793.35	-4.6	796.85	-3.3	815.35	-3.2	-
Taiwan	(T$)	26.4468	+0.0418	435 - 500	26.4500	26.4050	26.4668	-0.9	26.5068	-0.8	-	-	-
Thailand	(Bt)	25.1275	+0.0075	250 - 300	25.1300	25.1200	25.157	-1.4	25.248	-1.9	25.6625	-2.1	-

†SDR rate for Dec 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 23. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 28	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5¼	5⅞	5⅞	6¼	6¼	7.40	4.50	-
week ago	4⅞	5⅛	5⅞	5⅞	6⅝	7.40	4.50	-
France	5⅝	5¾	6¼	6⅝	7⅛	5.00	-	6.75
week ago	5⅝	5¾	6⅛	6½	6⅞	5.00	-	6.75
Germany	4.05	5.36	5.38	5.43	5.83	6.00	4.50	4.85
week ago	4.96	5.35	5.48	5.63	5.93	6.00	4.50	4.85
Ireland	5⅜	5⅞	6⅛	6⅞	7⅛	-	-	6.25
week ago	5⅜	5⅞	5⅞	6⅝	7⅛	-	-	6.25
Italy	8⅜	8⅛	8⅞	9⅝	10⅞	-	7.50	8.20
week ago	8⅝	8⅛	8¾	9⅞	10½	-	7.50	9.20
Netherlands	4.84	5.34	5.40	5.56	5.83	-	5.25	-
week ago	4.84	5.34	5.57	5.69	6.03	-	5.25	-
Switzerland	3⅝	4	4⅛	4⅜	4⅞	6.625	3.50	-
week ago	3⅝	4	4⅜	4½	4⅞	6.625	3.50	-
US	5⅝	5⅞	6¼	6¾	7½	-	4.75	-
week ago	5⅛	5⅞	6⅛	6⅞	7⅞	-	4.75	-
Japan	2¼	2⅛	2⅛	2⅞	2⅞	-	1.75	-
week ago	2¼	2⅛	2⅛	2⅛	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6	6⅜	6⅞	7⅜	-	-	-
week ago	-	5⅞	6⅜	6⅝	7⅝	-	-	-
US Dollar CDs	-	5.51	6.00	6.54	7.34	-	-	-
week ago	-	5.51	6.16	6.71	7.46	-	-	-
SDR Linked Ds	-	4⅝	4⅞	5¼	5⅛	-	-	-
week ago	-	4⅝	4⅞	5¼	5⅜	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 5¾; 6 mths: 6; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅞ - 5⅞	5⅜ - 5¼	5⅞ - 5⅞	6½ - 6⅜	5¾ - 6⅝	6⅞ - 6⅞
Danish Krone	5¼ - 5	5⅝ - 5⅜	5¾ - 5½	6⅛ - 5⅞	6½ - 6¼	7⅛ - 6⅞
D-Mark	4 - 3¾	5⅜ - 5¼	5⅜ - 5⅞	5⅞ - 5⅞	5½ - 5⅜	5⅞ - 5¾
Dutch Guilder	5¼ - 5⅛	5¼ - 5⅛	5⅝ - 5½	5⅝ - 5½	5¾ - 5⅝	6⅛ - 6
French Franc	5⅜ - 5¼	5⅞ - 5⅞	5⅝ - 6½	6⅛ - 5⅞	6⅞ - 6⅞	6⅞ - 6⅞
Portuguese Esc.	8⅞ - 8⅝	9½ - 9½	10⅞ - 9⅞	10⅞ - 10⅝	11¼ - 10¾	11¼ - 10¾
Spanish Peseta	7⅞ - 7⅞	7⅞ - 7⅞	8⅞ - 8⅞	8½ - 8⅜	9⅛ - 9	9⅝ - 9⅜
Sterling	6 - 5¾	6⅛ - 5⅞	6 - 5⅞	6⅞ - 6⅞	7 - 6⅞	7⅞ - 7⅞
Swiss Franc	3⅞ - 3⅞	4¼ - 4⅛	3⅞ - 3⅞	4¼ - 4⅛	4½ - 4⅜	4⅝ - 4⅜
Can. Dollar	5⅝ - 5⅞	5⅞ - 5⅝	5¾ - 5⅝	6¼ - 6⅝	7⅞ - 7⅞	8⅞ - 8⅞
US Dollar	5⅞ - 5⅞	6⅞ - 6⅞	6 - 5⅞	6⅜ - 6¼	6⅞ - 6⅞	7⅞ - 7⅞
Italian Lira	9 - 7½	8⅝ - 8¼	8¾ - 8⅝	9⅛ - 9	9¾ - 9⅝	10⅞ - 10⅞
Yen	2¼ - 2⅛	2⅞ - 2⅞	2⅜ - 2⅛	2⅜ - 2⅛	2⅞ - 2⅞	2⅞ - 2⅝
Asian $Sing	3⅞ - 3⅝	4⅜ - 4¼	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	92.81	92.85	+0.06	92.86	92.81	41,109	469,309
Jun	92.07	92.12	+0.06	92.13	92.07	26,861	349,103
Sep	91.69	91.76	+0.09	91.77	91.69	21,343	266,298

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.45	93.48	+0.04	93.49	93.45	982	15,490
Jun	92.75	92.77	+0.09	92.79	92.75	189	3,704
Sep	-	92.38	-	92.38	-	7	734

All Open interest figs. are for previous day

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	* Roxburghe Bank Ltd is no longer authorised as a banking institution.	6
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	6.5	●Smith & Williamson Secs	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	●United Bk of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	* In administration	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
CL Bank Nederland	6.25	●Leopold Joseph & Sons	6.25		
Citibank NA	6.25	Lloyds Bank	6.25		
Clydesdale Bank	6.25	Meghraj Bank Ltd	6.25		
The Co-operative Bank	6.25	Midland Bank	6.25		
Coutts & Co	6.25	* Mount Banking	6.25		
Credit Lyonnais	6.25	NatWestminster	6.25		
Cyprus Popular Bank	6.25	●Rea Brothers	6.25		

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.10	16.82	4.868	2.023	5071	5.450	21.25	500.3	411.8	23.13	4.110	1.997	4.324	3.088	310.2	2.560
Denmark	(DKr)	52.35	10	8.806	2.549	1.059	2655	2.853	11.13	261.9	215.6	12.11	2.152	1.046	2.264	1.616	162.4	1.340
France	(FFr)	59.45	11.36	10	2.895	1.203	3015	3.240	12.63	297.4	244.8	13.75	2.444	1.187	2.571	1.836	184.4	1.522
Germany	(DM)	20.54	3.923	3.454	1	0.416	1041	1.119	4.364	102.7	84.56	4.750	0.844	0.410	0.888	0.634	63.70	0.526
Ireland	(I£)	49.43	9.441	8.314	2.407	1	2506	2.694	10.50	247.3	203.6	11.43	2.032	0.987	2.137	1.526	153.3	1.266
Italy	(L)	1.972	0.377	0.332	0.096	0.040	100.	0.107	0.419	9.866	8.121	0.456	0.081	0.039	0.085	0.061	6.117	0.050
Netherlands	(Fl)	18.35	3.505	3.086	0.893	0.371	930.4	1	3.899	91.79	75.56	4.243	0.754	0.366	0.793	0.567	56.91	0.470
Norway	(NKr)	47.06	8.989	7.915	2.291	0.952	2386	2.565	10	235.4	193.8	10.88	1.934	0.940	2.035	1.453	146.0	1.205
Portugal	(Es)	19.99	3.818	3.362	0.973	0.404	1014	1.089	4.248	100.	82.32	4.623	0.822	0.399	0.864	0.617	62.00	0.512
Spain	(Pta)	24.28	4.638	4.084	1.182	0.491	1231	1.323	5.160	121.5	100.	5.616	0.998	0.485	1.050	0.750	75.32	0.622
Sweden	(SKr)	43.24	8.259	7.273	2.105	0.875	2193	2.357	9.188	216.3	178.1	10	1.777	0.864	1.870	1.335	134.1	1.107
Switzerland	(SFr)	24.33	4.647	4.092	1.185	0.492	1234	1.326	5.170	121.7	100.2	5.627	1	0.486	1.052	0.751	75.46	0.623
UK	(£)	50.07	9.564	8.422	2.438	1.013	2539	2.729	10.64	250.5	206.2	11.58	2.058	1	2.165	1.546	155.3	1.282
Canada	(C$)	23.13	4.418	3.890	1.126	0.468	1173	1.261	4.915	115.7	95.24	5.349	0.951	0.462	1	0.714	71.73	0.592
US	($)	32.39	6.186	5.448	1.577	0.655	1642	1.765	6.882	162.0	133.4	7.490	1.331	0.647	1.400	1	100.5	0.829
Japan	(Y)	32.24	6.158	5.423	1.570	0.652	1635	1.757	6.851	161.3	132.8	7.457	1.325	0.644	1.394	0.995	100.	0.825
Ecu		39.06	7.460	6.569	1.902	0.790	1980	2.129	8.300	195.4	160.8	9.033	1.605	0.780	1.689	1.206	121.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est.vol	Open int.
Mar	0.6338	0.6357	+0.0006	0.6358	0.6325	6,430	71,988
Jun	-	0.6378	-	0.6378	-	11	1,829
Sep	0.6410	0.6410	+0.0003	0.6410	0.6410	17	138

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est.vol	Open int.
Mar	0.7522	0.7545	+0.0010	0.7547	0.7522	2,644	37,877
Jun	0.7586	0.7594	-	0.7594	0.7586	5	620
Sep	-	0.7642	+0.0005	-	-	9	54

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est.vol	Open int.
Mar	1.0046	1.0042	-0.0033	1.0052	1.0036	3,849	71,262
Jun	1.0173	1.0167	-0.0036	1.0173	1.0166	340	3,766
Sep		1.0334	+0.0016	-	-	8	327

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est.vol	Open int.
Mar	1.5432	1.5454	+0.0004	1.5460	1.5420	3,881	59,722
Jun	1.5450	1.5450	-	1.5450	1.5450	13	516
Sep	-	1.5450	+0.0008	-	-	5	4

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
1.500	4.42	4.62	5.07	-	0.21	0.69
1.525	2.17	2.66	3.32	0.17	0.73	1.40
1.550	0.58	1.26	2.02	1.07	1.78	2.52
1.575	0.05	0.49	1.11	2.98	3.42	4.03
1.600	-	0.13	0.54	5.38	5.54	5.93
1.625	-	0.02	0.23	7.81	7.89	8.08

Previous day's vol., Calls N/A Puts N/A . Prev. day's open int., Calls N/A Puts N/A

■ Pound in New York

Dec 27	Latest	Prev. close
£ spot	1.5455	1.5462
1 mth	1.5454	1.5459
3 mth	1.5453	1.5461
1 yr	1.5448	1.5456

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on The Companies and Finance page in today's edition.

BANK RETURN

BANKING DEPARTMENT	Wednesday December 21, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	937,770,201	-141,332,853
Bankers deposits	1,855,045,395	+229,945,139
Reserve and other accounts	3,385,207,325	+196,253,442
	6,192,575,921	+284,865,728
Assets		
Government securities	1,050,229,789	-47,860,000
Advance and other accounts	4,696,667,045	+1,660,254,193
Premise, equipment and other secs	440,691,607	-1,328,753,994
Notes	4,843,749	+1,242,981
Coin	143,731	-17,452
	6,192,575,921	+284,865,728
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	20,055,156,251	+878,757,019
Notes in Banking Department	4,843,749	+1,242,981
	20,060,000,000	+880,000,000
Assets		
Other Government securities	11,468,439,828	-1,766,355,433
Other Securities	8,591,560,172	+2,646,355,433
	20,060,000,000	+880,000,000

UK INTEREST RATES

LONDON MONEY RATES

Dec 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	4⅝ - 1	4⅞ - 4	5⅞ - 5⅝	6⅞ - 6¼	7 - 6⅞	7⅞ - 7⅝
Sterling CDs	-	-	5⅞ - 5⅞	6⅞ - 6⅞	6⅞ - 6⅞	7⅞ - 7⅞
Treasury Bills	-	-	5⅞ - 5⅞	6⅛ - 6	-	-
Bank Bills	-	-	5⅞ - 5⅞	6⅞ - 6⅞	6⅞ - 6⅞	-
Local authority deps.	5⅞ - 5⅞	5⅞ - 5⅛	5⅞ - 5⅞	6⅞ - 6⅞	7 - 6⅞	7⅞ - 7⅞
Discount Market deps	4½ - 3½	4¾ - 4⅝	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.8361pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 30, 1994, Agreed rate for period Dec 26, 1994 to Jan 24, 1994, Schemes II & III 7.39pc. Reference rate for period Nov 1, 1994 to Nov 30, 1994, Schemes IV & V 6.107pc. Finance House Base Rate 6½pc from Dec 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Dec 23	Dec 16		Dec 23	Dec 16
Bills on offer	£350	£350m	Top accepted rate	5.8359%	5.8360%
Total of applications	£1592m	£1415m	Ave. rate of discount	5.8347%	5.8351%
Total allocated	£350m	£350m	Average yield	5.9206%	5.9212%
Min. accepted bid	£98.545	£98.545	Offer at next tender	£350m	£350m
Allotment at min. level	89%	92%	Min. accept. bid 182 days	-	-

FT GOLD MINES INDEX

	Dec 23	% chg on day	Dec 22	Dec 21	Year ago	Gross div yield %	52 week High	Low
Gold Mines Index (34)	1909.75	+0.6	1898.26	1922.19	2154.37	2.29	2367.40	1762.82
■ Regional Indices								
Africa (16)	3115.87	+0.3	3106.10	3147.02	3027.93	4.46	3711.87	2804.45
Australasia (7)	2384.38	-0.5	2395.62	2366.61	2576.92	2.18	3013.89	2171.86
North America (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas 12pc 1995		100⅛xd	—	2,350	Ja25 Jy25	19.12	1284
Exch 3pc Gas 1990-95		98⅞	0.1	214	My1 Nv1	28.9	1271
[illegible]							

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Funding 3½pc 1999-4		74⅞xd	—	543	Ja14 Jy14	8.12	1274
Conversion 9½pc 2004		105⅛	0.1	3,412	Ap25 Oc25	19.9	1246
[illegible]							

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Index-Linked	(b)						
2pc '96	(67.9)	201⅞	0.1	1,280	Mr16 Se16	18.8	1313
4⅝pc '98‡‡	(135.6)	105¾	0.1	800	Ap27 Oc27	28.9	—
[illegible]							

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

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ITALIAN PACKAGING MACHINERY INDUSTRY

The Italian packaging machinery industry: a world leader with growing shares in the market, thanks to its traditional success in satisfying market demands, while providing personalised solutions

THE REASONS OF A LEADERSHIP

Italian packaging machines are in use in over 150 countries, mostly in European markets, the U.S. and Japan, as well as in the newly industrialised countries of Asia.
Also of special importance is the use of Italian machines in countries striving to improve their living standards, from the CIS to the other nations of East and Central Europe, as well as China, Latin America and the more developed industrial regions of Africa.
Today one out of four packaging machines on the international market is made in Italy.

A successful tradition. The reasons for this success can be traced within its historical and geographical roots.
The first businesses were formed in Bologna at the beginning of the 19th century.
As true pioneers, the first industries were well ahead of their time in identifying two fundamental demands of the market: the strategic importance of packaging in the market of products of large consumption; and the need to adapt packaging machines to fit the particular requirements *of each customer.*

Customisation. On the basis of this tradition, the Italian-packaging machinery firms offer a complete range of products on the world market. The systems and the machines they plan are tailor-made to fit specific customer needs, using innovative technology and new materials at every level of the production process. Furthermore, the highest levels of service are guaranteed by a continuous and stable contact between producers and customers.

Non-stop research. The major part of the people working in the Italian packaging machinery sector is employed in research, development *and maintenance.*

They work on two fronts. On one side they develop an increasing number of complete and automatised lines. On the other side they create user-friendly machinery which requires less maintenance and can be integrated into the users already-existing production and inspection systems.
According to a survey carried out by the Harvard Business School, Italian packaging machinery is an "happy combination of artistry and technology".

Competition and competitiveness. The Italian packaging machinery sector is mainly composed of small and medium sized companies. So competition is very strong and represents a continuous stimulation for the improvement and innovation in products and services, customer orientation, flexibility and good quality-price ratio.
This is the basis for the competitiveness of the sector on the worldwide market.
Such a simple and, at the same time, sophisticated structure quickly became a strong success factor when Italian entrepreneurs begun to cross over the frontiers.
Export has become so important that Italian packaging machinery industry is going to achieve a position of leadership on worldwide market.

The trend of the Italian industry of packaging machinery (value in million U.S. dollars)

	1992	1993	Δ % 93/92
Turnover	1,621	1,824	+ 12.5
Export	1,123	1,494	+ 33.0
Deliveries on the internal market	498	330	− 33.6
Import	178	203	+ 14.3
Domestic consumption	676	534	− 21.0
Trade balance	945	1,290	+ 36.5
Import / Domestic consumption	26.3	38.1	
Export / Turnover	69.3	81.9	

Source: UCIMA–The Italian Packaging Machinery Manufacturers' Association - *Economic Studies Bureau*

ITALIAN PACKAGING MACHINERY: NON STOP GROWTH.

"We can look at the future very optimistically", said Mr. Giancarlo De Martis, president of UCIMA (the association representing Italian packaging machinery manufacturers).
In 1993 over 300 companies producing packaging machinery in Italy registered a growth in export of 33% compared to the previous year, and the impact of sales on turnover increased from 69.3% to 81%.
"While other countries such as Germany, France and Switzerland reported a decrease in terms of turnover - said Mr. De Martis - the Italian packaging machinery industry seems to be launched towards a continuous growth. With no doubt the readjustment of Lira has been helpful, but the most important role in such a success has certainly been played by the pursuit of a policy of high technology and customer satisfaction".

An in-depth look. Export in 1993 represented 81.9% of the total production of Italian packaging machinery and in the same year balance of trade registered over 1.3 billion dollars (about 70.7% of the total turnover).
Obviously the EC is the primary market for Italian packaging machinery export with a share of 39.2% and with a growth rate in 1993 of 20.4% compared to 1992.
The German market remains the most important (+13.1%), followed by the U.S., France, UK, and Spain.
Export also increased in the Eastern European market (particularly in Poland and CIS) in Latin America (particularly Mexico, Argentina, Chile and Brazil), China and South East Asia.

A "memorable overtaking" of the competitors was then achieved in Japan where Italian machineries represent 35% of the total of foreign machineries sold there.

A strategic development. The strong position of the Italian packaging machinery industry is now going to be consolidated with an outreach visibility plan that UCIMA (the association representing Italian packaging machinery manufacturers) is implementing.
The core of this plan is the creation of the Italian Packaging Points in Hong Kong and Mexico City (and so, at the gateways to the most strategic markets: the Far East and Latin America).
These "IPPs" will support all the initiatives of Italian packaging industry (i.e. the "Italian Packaging and Process Machinery Exhibition" that will be held in Beijing in March 1995), and, most of all, will manage all the communication to the Far East and Central-Southern America.
"The Far East and Latin America, - declared Mr. De Martis - thanks to the development they achieved in the last years will be the big "chances" for Italian packaging machinery industry".
The Italian manufacturers of packaging machinery have already achieved good results, much more valuable considering the fact that, in many cases, there was no advantage coming from the devaluation of the Lira.
"So, - declared Mr. De Martis, the consolidation of the Italian packaging machinery industry in these "relatively" emerging markets, represents the last frontier to worldwide leadership".

Trade balance with major partners (value in million U.S. dollars)

	Italian Export to:	%	Balance '93
Germany	172	10.30%	97
U.S.A.	160	9.59%	139
France	153	9.17%	136
United Kingdom	127	7.61%	116
Spain	72	4.31%	67
Japan	65	3.89%	59
Switzerland	50	3.00%	20
Netherland	23	1.38%	10
Austria	18	1.08%	10
Sweden	14	0.84%	2
Other countries	815	48.83%	797
Total	1669	100.00%	1449

Source: Ucima-The Italian Packaging Machinery Manufacturers' Association - Economic Studies Bureau

Visit the Italian Packaging and Process Machinery Exhibition at the China International Exhibition Centre Beijing, 14-18 March 1995

PACKAGING ? PROBLEMS

CALL ITALY FIRST

Whenever packaging becomes a problem, calling Italian industries and experts becomes a must! Italian manufacturers are indeed at the top in terms of technology, quality, efficiency and ability to offer a personalized solution. One fourth of packaging machinery in the world is Italian made because its industry stands out internationally for its ability to meet the specialized need of manufacturers all over the world. The highest technologies and the ingenuity of craftmanship *make Italian industries the ideal partners in finding the best packaging* solutions. Yes, the world over!

Ask for free catalogue containing all details of Italian machinery producers to the following addresses:

UCIMA
The Italian Packaging Machinery Manufacturers' Association
Central Office
Corso Sempione, 4
20145 Milano
Tel. (+39/2) 33611557
Fax (+39/2) 3450647

ITALIAN PACKAGING POINTS

Latin American Office
Mexico City
c/o GCI Alonso y Asociados
Lancaster 17 - Col Juárez - Mexico D.F. 06600
Tel. (+525) 5251640/44 - 5111394
Fax (+525) 2088476 - 5140955

Far East Office
Hong Kong
c/o GCI Hong Kong
33 rd Floor - Manulife Tower - 169, Electric Road
North Point, Hong Kong
Tel. (+852) 5106888
Fax (+852) 5107541

UCIMA - THE ITALIAN PACKAGING MACHINERY MANUFACTURERS' ASSOCIATION

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl	□	222¾	-.2	Q81%	♦	Sep May	9'93	–
ANZ A$		209	3.5	Q25c	♦	Jan	12'93	–
Abbey National	†N□	420	4.3	15.6	2.1	May Oct	15.8	5411
Allied Irish I£	♣†N□	278	7.1	Q80½%	2.7	Oct May	15.8	1364
Anglo Irish I£	N□	[illegible]	—	Q7.8%	♦	Jan Jul	28.11	1365
Asahi Y	□	777½	8.2	Q14%	♦	Jan Dec	12'92	3049
Banco Bil Viz Pts	□	216	-3.8	Q27.3%	2.7	JyOcJaAp	7'93	–
Banco Sant Pts		[illegible]	—	Q35%	2.0	MyJuOcJa	1.8	–
Bk Ireland I£	†N□	295xd	2.8	Q14.7%	3.2	Jan Jul	21.11	1399
Bank Scotland	♣†N□	219	1.4	5.31	3.3	Jul Dec	17.10	1742
9¼pc Pf		117¾	0.4	9¼%	–	May Nov	17.10	1482
9⅜pc Pf		103½	0.4	9⅜%	–	May Nov	17.10	1695
Barclays	♣†N□	614	1.6	16.65	2.4	Oct May	15.8	1784
Dai Ichi Kan Y	□	[illegible]	5.7	Q15%	1.2	Jan Dec	9'93	–
Deutsche DM	□	[illegible]	1.4	Q33%	–	May	5'93	–
Espirito Santo	□	[illegible]	-1.7	Q30c	5.2	Jan	6'93	5167
First Nat Fin	N□	38½	-.8	1.5	–	Mar Aug	18.7	2577
8.5pc Cv Pf		89xd	—	8.5%	–	Jul Jan	12.12	2570
7pc Cv Pf		111xd	—	7.0	–	Jul Jan	12.12	1498
Fuji Bank Y	□	1405½	2.8	Q17%	♦	Dec Jun	7'93	–
HSBC HK	†N□	716	4.1	24.5	2.4	Nov Jun	5.9	2798
HSBC (75p Shs)	†N□	724	3.5	24.5	2.4	Nov Jun	5.9	2776
Irish Permanent	N□	228	1.3	9.0	2.9	Apr Oct	–	4709
Lloyds	†N□	[illegible]	2.0	23.6	2.1	Oct May	8.8	3171
Mitsubishi Y	□	[illegible]	2.1	Q17%	♦	Jan Dec	12'92	–
Mits Tst & Bk Y	□	[illegible]	7.7	Q10%	12.4	Jan Dec	12'92	–
Mitsui Tst & Bk Y	□	679	5.2	Q17%	5.5	Jan Dec	12'92	–
Nat Aust A$		520	-3.6	Q74c	♦	Jan Jul	21.6	–
NatWest	†N□	516	2.4	18.4	2.3	Oct May	8.8	3463
Ottomane FFr		221½	—	Q125%	♦	May	25.5	–
Ryl Bk Scotland	♣†N□	[illegible]	-2.0	13.75	2.9	Feb Jul	12.12	3874
Sakura Y	□	[illegible]	2.5	Q17%	3.0	Dec Jun	12'92	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Toronto-Dom		10½	3.8	88c		JaApJyOc	12.22	1287
Trans Can Pipe	♥	7½	-1.2	84c		JaApJyOc	12'93	-

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		834	—	Q375c	1.9	Oct Apr	3'93	-
Barlow	♣	654xd	5.9	Q86c	♦	Jan Jul	12.12	-
Gold Flds Prop R		1128	—	Q82c	♦	Feb Sep	31.1	-
NK Props		95	—	Q87.1c	-	Feb Sep	10'93	-
SASOL	♥	524	6.5	Q76c	-	Oct	9'93	-
SA Brews	†	214½	—	Q165c	2.2	Jun Dec	21.11	-
Tiger Oats		763xd	—	Q55c	2.9	Jan Jul	12.12	-
Tongaat-Hulett	†h	725	—	Q90c	2.4	Feb Aug	4.1	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♣ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IIMR "Headline Earnings" P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Eurovels (Engineering), Great Central Mines (Ext. Inds), Hoare Govett 1000 Index (Inv. Tsts.) and JJB Sports (Retailers General). Deletions: GATX (Transport) and Houston Inds. (Americans).

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An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

4 pm close December 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
17⅞	11⅞	AAR	0.48	3.8	23	101	12¾	12½	12⅝	+⅛
19⅞	12⅝	A L Labs A	0.18	0.9	45	308	u19⅞	19½	19⅞	
78⅛	57⅝	AMP	1.68	2.3	22	654	72¾	71⅜	72⅛	+⅞
72¾	48⅛	AMR			112	2726	53⅛	52⅜	52⅞	-⅛
6	3⅛	ARX			12	85	3⅜	3¼	3¼	
56⅛	38⅝	ASA	2.00	4.6	28	219	43⅝	43⅛	43⅝	+¼
33⅞	25⅜	AbtLab	0.78	2.3	18	7338	33¼	33	33¼	
15¾	11⅜	AbitiBl Pr	0.50	3.6	12	35	13⅞	13¾	13⅞	+⅛
23⅞	17¾	ABM Ind	0.60	2.5	14	81	u23⅞	23⅝	23⅝	-⅛
18	11⅛	Acptncdn			10	234	14½	14¼	14⅜	+⅛
31	20¾	ACE Ltd	0.44	2.0	21	318	22	21⅞	22	+½
12½	9	ACM Gvt In	1.09	12.0	8	819	9½	9⅛	9⅛	-⅛
10⅛	6⅞	ACM GvOpp	0.80	11.2		71	7⅛	7⅛	7⅛	-⅛
10⅝	6¾	ACM Gvt Sp	0.98	13.2		475	7½	7⅛	7⅛	-⅛
12	7⅝	ACM Gvt Se	1.09	13.3		716	8⅛	8⅛	8¼	-⅛
11¾	7⅜	ACM Man	1.08	13.1		61	8¼	8¼	8¼	-⅛
9⅞	6	ACM Managd	0.72	9.3		1081	8⅛	d7⅝	7¾	-⅝
15½	8¾	AcmeClv	0.44	4.3	20	331	10¼	10	10¼	+⅜
13⅞	8½	Acme Elect			13	88	12¾	12	12½	+½
32⅝	23	Acordia	0.60	1.9	16	20	u32⅞	32¼	32⅞	+⅛
13¾	5¾	Actava	0.36	4.1	2	108	9⅛	8⅝	8⅝	-⅛
18⅞	11¼	Acuson			27	147	17	16⅞	16⅞	-⅛
18⅜	15½	Adams Expr	0.68	4.3	0	119	15¾	15⅝	15¾	
64	46½	Adj Micro	3.00	5.8		479	52	51	51¾	+⅝
31¾	16¾	AdvMic	3.00	12.5	7	9553	24	23½	24	+1⅛
6⅞	5	Advest Grp	0.16	3.2	14	87	5⅛	d5	5	-¼

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4 pm close December 27

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev Close
25	17½	SnDgSE	1.52	7.8	16	193	19⅝	19½	19½	
10	7½	SantaFeERs	0.16	2.0	8	484	8¼	8	8	-⅛
17⅞	12¼	SFeGd			27	3633	13	12⅞	12⅞	+⅛
39¾	30⅛	SFePPipe	2.80	8.6	8	73	u33⅛	33⅛	33⅛	
25¾	12⅛	SanFeP	0.10	0.6	14	2530	17⅝	17⅜	17⅝	+⅛
26	19⅝	SaraLee	0.66	2.6	35	2374	u26	25¾	25¾	-⅛
59⅛	41	Scana Corp	2.82	6.7	12	216	42⅝	42	42	-½
20½	12½	Scecrp	1.00	6.6	9	8206	15¼	14⅞	15¼	+⅜
45½	31¾	SchererRP			29	887	43½	43	43½	+⅜
75⅞	54½	SchPl	2.04	2.7	15	1190	74⅞	74⅛	74⅝	-⅛
65	50	Schlmb x	1.20	2.4	24	4679	50⅞	d50	50½	+⅜
37	23¾	Schwab(C)	0.28	0.8	15	486	35¾	34⅞	35½	+½
19¾	6⅛	Schweitzer			7	65	8	8	8	
22⅝	18½	SciAtl	0.06	0.3	39	1244	21⅛	20¾	21	+⅞
18¼	13	Scotsman	0.10	0.6	12	37	17¼	17⅛	17⅛	+⅛
70⅝	37¼	ScottP	0.80	1.2	21	1798	68½	68⅝	68¾	+½
25⅝	18½	ScudderNAsF	0.02	0.1		53	20¾	20⅝	20⅝	
12⅝	8¾	ScudderNEuF	0.16	1.9		180	9	8⅞	9	-⅛
18¾	12	SeaCntB	0.70	5.5	8	23	13⅛	12¾	12¾	-⅛
16½	14¼	SeaCT.4625	1.48	9.7		3	15⅛	15⅛	15⅛	
24⅞	22⅞	S'gate			8	4160	24⅞	23⅞	24	+⅛
32⅝	26¼	Seagrm	0.60	2.0	14	446	30⅛	30	30⅛	+¼
32½	17⅞	Seagull En			29	987	18⅛	d17⅝	17⅝	-⅜
38¼	28⅝	Sealed Air			21	24	36	35⅞	35⅞	-⅛
55⅝	42⅛	SearsR	1.60	3.5	13	3689	47⅛	45¾	45¾	-⅞
13¾	9¾	Seligm Sel	0.84	8.2		184	10½	10¼	10¼	-¼
39¾	26	Sensormat	0.22	0.6	28	1093	34⅞	34	34⅞	+⅞
35¾	17⅞	SequaA	0.60	2.4	9	20	25½	25	25½	+⅜
40¾	21	SequaB	0.60	1.9	14	65	26½	26	26½	
28	22½	ServCp	0.42	1.5	18	2040	27⅝	27⅛	27⅝	+⅜
[illegible]										

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev Close
44½	34¾	Tjnbrds	[illegible]							
19⅛	10½	Tandem	[illegible]							
50⅝	30¾	Tandy	[illegible]							
[illegible]										

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[illegible]

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[illegible]

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[illegible]

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1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev Close
112¾	87¾	Xerox	3.00	3.0	60	2550	100⅝	99½	100⅛	+⅛
53¾	40	Xtra Corp	0.56	1.3	12	329	41¾	40½	41¾	+1¼
25½	20	Yankee Egy	1.22	5.9	10	22	20⅞	20½	20¾	
42½	33⅞	York Int	0.16	0.4	16	240	37	36⅛	37	+⅞
5½	1	Zapata	0.14	4.0	11	513	3⅝	3½	3½	
14⅛	7	ZnthEl			9	2128	12¾	12⅛	12¾	+⅛
27⅞	20⅝	Zenith Nat	1.00	4.5	10	97	22	21¾	22	+⅛
7⅞	6	Zenix Inc	0.83	13.5		165	6⅛	6⅛	6⅛	
18⅛	11⅞	Zero	0.40	3.1	14	142	13¼	12⅞	12⅞	-¼
29⅝	16¾	Zurn Ind	0.88	5.0	691	141	17⅞	17½	17¾	+¼
13⅞	10¼	Zweig Fund	1.08	10.5		447	10⅜	d10⅛	10¼	
10¾	7¾	Zweig Totl	0.84	10.5		383	8⅛	8	8	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close December 27

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
PetHPwB	1.64	97	2	17⅝	17⅝	17⅝	
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close December 27

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Dekalb Ge	0.80	12	77	27⅞	27	27	-½
Delchmcape	0.44	11	198	16⅞	15¼	16⅞	+1¼
Dell Comp		17	5698	42⅞	42	42⅞	+⅜
Dnsply	0.30	27	1411	31¾	31¼	31½	+¼
Dep Gty	1.12	7	181	29⅛	28¾	29	-¼
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AMERICA

Dow rallies as Mexican ADRs dive

Wall Street

US shares added to last weeks gains yesterday morning in light post-holiday trading, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average was up 28.59 at 3,862.02. The more broadly-based Standard & Poor's 500 rose 2.37 at 462.20, the American Stock Exchange composite fell 0.05 at 428.73 and the Nasdaq composite gained 3.64 at 745.83.

Trading volume on the NYSE was 127m shares.

The much-discussed year-end-rally seemed to have kicked in as investors loaded their portfolios with blue-chip stocks to close out the year.

The Dow also benefited as traders pulled out of shares with exposure to Mexico and bought industrials.

The Mexican bolsa was off sharply and peso was trading at a record low against the dollar in the wake of the Mexican government's decision last week to stop supporting its currency.

Also boosting US share prices were gains in the bond market on the heels of weak data on the sales of single-family homes. Home sales fell 2.6 per cent in November, according to the National Association of Realtors.

An early morning report that consumer confidence hit a high for the year in December may also have helped the market. The consumer confidence index rose 102.2, up from 100.4 for November, according to the Conference Board.

ITT gained $4⅛ at $87⅞ as the US conglomerate sells off various financial services to raise money to expand its entertainment division. The company announced yesterday that it would sell two pieces of ITT Financial to Norwest and Deutsche Bank for a total of about $3.7bn.

Shares in major retail companies were weak amid widespread, but mostly anecdotal, reports of lower-than-expected sales for the holiday period. Dayton Hudson dropped $3⅞ at $68⅞, Kmart was off $⅜ at $12⅞, JC Penney fell $⅜ at $42⅞, Dillards Department Stores lost $⅞ at $26⅛ and Federated Department Stores shed $⅜ at $18⅞.

American depository shares of Mexican companies dropped as turmoil continued in that country's financial markets. Telmex lost 7.1 per cent of its value as shares fell $2⅞ at $37⅞. Vitro lost $2⅛ at $11⅞, Coca-Cola Femsa fell $3⅛ at $20⅞, Grupo Tribasa dropped $2 at $17⅞ and Televisa shed $3 at $29⅞.

● Toronto was closed for a public holiday.

Mexico

Equities were unable to hold on to early gains as the peso fell to new lows against the US dollar. The IPC index, which at one stage had risen to 2,364, was down 0.7 per cent at 2,325 by midsession.

Foreign investors were seen arbitraging between ADRs and local shares.

On Monday the peso lost a further 7 per cent in value against the dollar, while yesterday the currency opened down a further 22.5 centavos.

● In Brazil the Bovespa index was off 5.0 per cent as investors sold heavily on concerns over the Mexican currency. The Bovespa index was down 2,154 at 40,629 by 1 pm.

Foreign investors sold heavily on rumours that some banks in Argentina could be facing financial problems after the Mexican government's decision last week to let the peso float freely.

● In Buenos Aires the Merval index was down 2 per cent at 447.19.

EUROPE

Politics is driving force for Milan, Madrid

A strong opening on Wall Street provided a cue for a positive direction among many of the continent's markets.

MILAN extended its rally, picking up 1.4 per cent, on renewed hopes of a swift end to the country's political crisis. The Comit index rose 8.68 to 637.68, approaching the 640 level which some analysts see as a resistance point, as the market began to discount the formation of a broader coalition, including the centrist Popular Party.

Ferruzzi rose L83 or 6.9 per cent to L1,280 with its strength attributed to window dressing by stockholding banks which have had to book losses on loans to the former parent company, Serafino, together with hopes Ferfin may soon sell Fondiaria.

Olivetti gained L45 to L2,085 after the computer group said that it had agreed to sell its 53.9 per cent stake in the news and financial information group, Radiocor Telerate, to the Il Sole 24 Ore group.

MADRID was dragged down to a low for the year by continuing political fears following high court investigations into the role of former leading security chiefs in illicit anti-ETA activity in the early 1980's.

The general index lost 8.26 or 2.8 per cent to 284.62 amid worries that the rumour laden atmosphere would deter foreign investors.

The market was led lower by sharp falls for Telefónica, Pta75 or 4.8 per cent lower at Pta1,490, Argentaria, Pta310 or 6.3 per cent down at Pta4,620 and Santander which lost Pta260 or 4.9 per cent to Pta5,060.

ZURICH was firmer in thin volume with some of the gains attributed to window-dressing ahead of the end of the year, and banks in particular said to be buying their own shares.

The SMI index gained 22.5 to 2,673.5.

Zurich Insurance bearers picked up SFr1 to SFr1,261 but the registered shares were SFr1 lower at SFr1,266 as the market found difficulty in assessing the impact of the cooperation deal with Sweden's Trygg-Hansa. The deal opens the way for Zurich to take over part of the insurance business of Trygg's 64 per cent-owned US affiliate, Home Holdings.

Holderbank bounced SFr27 to SFr1,030 on a reassessment of Friday's 3.7 per cent fall which followed concerns about the company's exposure in Mexico, and a downgrading from UBS.

STOCKHOLM featured a 3.8 per cent jump in Trygg-Hansa in otherwise thin holiday trade with lower debt yields and the early rally on Wall Street contributing to a firm tone. The Affärsvärlden index rose 2.90 to 1,474.00.

Trygg-Hansa B shares finished SKr3 higher at SKr81 following the announcement that it had cancelled an agreement with US investors to bale out its troubled Home Holdings subsidiary in favour of a new, in-principle agreement with Zurich Insurance.

Partly as a result of Trygg, the day's winning sector was banking and insurance whose sub-index rose by 0.6 per cent.

Volvo's B share rose SKr1.50 to SKr139, extending a pre-Christmas rally, amid rumours that the automotive group would sell its wholly-owned subsidiary, Branded Consumer Products, before the end of the year.

FRANKFURT moved upward, the Dax index adding 12.14 to 2,106.15 in the floor session, then rising to 2,110.77 in the Ibis.

Daimler rose DM8.50 to DM772.50 as its Mercedes unit said that it expected to see a return to profit in 1994. Worldwide sales were expected to show an increase of about 9 per cent to some DM70bn.

Kaufhof, up DM1.50 at DM772.50, announced that it had asked the Federal Cartel office to approve the merger of its ITS travel unit with Hanover-based Touristik Union International.

PARIS did not find comfort from the gains on Wall Street, with investors instead choosing to take profits at the start of the new account. The CAC-40 index lost 10.59 to 1,955.98 in low volume.

Among the day's movers Eurotunnel saw interest, losing 60 centimes to FFr23.90, with EuroDisney firmed 20 centimes to FFr11.35.

AMSTERDAM edged higher, with the AEX index adding 3.56 to 417.96.

Ahold, up Fl 1.00 at Fl 61.20, confirmed that the food retailing group expected investments in 1995 to exceed the Fl 1bn level seen in 1994.

ABN Amro topped the most actives list gaining 80 cents to Fl 61.20.BolsWessanen, up 30 cents at Fl 33.40, said that it was combining its frozen snacks companies under a single name.

Written and edited by John Pitt and Michael Morgan

SOUTH AFRICA

Johannesburg was mixed after drifting for most of the day in listless trade. The overall index finished 7.1 better at 5,809.8, industrials gained 5.7 at 6,931.9 and golds were 1.2 lower at 1,953.9. M-Net lost 50 cents to R14.50 after Friday's sharp gains following reports that it would merge its operations with the Swiss Richemont group.

Chinese markets still down in the doldrums

Tony Walker on a year of little cheer for equities

John Crossman, senior representative in Shanghai for Jardine Fleming, did not mince his words: "This has been a brutally bad year for the markets in Shanghai."

Shanghai's B-share market for foreign investors is some 40 per cent down on its high for the year achieved in early January, and ominously it has sagged badly since rallying in September and October.

The end of 1994 brought little cheer for investors in both Shanghai's A-share market for locals and B-shares. This is a year investors would prefer to forget.

Yesterday Shenzhen A shares dived for the fourth consecutive session as investors were unable to find positive stimulation. The index lost 2.3 per cent to 140.45, but in volume was down to 198m shares from the previous session's 241.9m. Shenzhen B shares were not traded.

In Shanghai the story was similar with the A's also losing 2.3 per cent to 682.17, and the B's off a marginal 0.08 to 61.94.

Representatives of the Shanghai Stock Exchange are adopting a more sanguine view, no doubt reflecting satisfaction with the high turnovers achieved this year in the bond market.

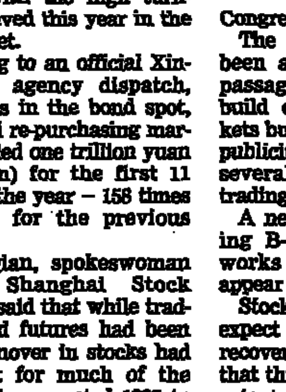
According to an official Xinhua news agency dispatch, transactions in the bond spot, futures and re-purchasing markets exceeded one trillion yuan (US$116.2bn) for the first 11 months of the year – 158 times the figure for the previous year.

Ms Li Qian, spokeswoman for the Shanghai Stock Exchange, said that while trading in bond futures had been robust, turnover in stocks had been quiet for much of the year, but she expected 1995 to be livelier.

She added that there would be a big increase in new listings, including $1bn worth B-shares listings at a planned rate of about 10 new companies each quarter. This would boost significantly B-share market capitalisation from the current $1.4bn. It would also more than double the numbers of B-share counters from 33.

Ms Li also forecast that the A-share market would be enlivened by the lifting of a freeze on new listings. Stock market regulators in Beijing had deferred until 1995 Yn5.5bn worth of new listed stock because of concern about overloading a flagging market with new issues.

Among other factors likely to affect the market next year is the expected promulgation of a new national securities law that has gone through at least 10 drafts, and is yet to be presented to the Standing Committee of the National People's Congress for approval.



The securities industry has been agitating for the early passage of the law to help build confidence in the markets buffeted too much adverse publicity this year, including several high profile insider trading cases.

A new national law governing B-shares is also in the works and is expected to appear in the new year.

Stock analysts in Shanghai expect the B-share market to recover in 1995, but also warn that this will depend to a large extent on a revival of confidence in China's efforts to deal with its economic problems. The performance of Hong Kong stocks will also weigh heavily with the Chinese markets.

Mr Crossman of Jardine Fleming said there was no doubt that confidence had "taken a hit" this year, and people might be asking themselves whether it might not have been a little early to enter the market. Among problems for B-share investors was an illiquid market with turnover falling to very low levels.

Richard Graham, chief representative in Shanghai of Baring Securities, believes that comments recently by Premier Li Peng suggesting that China's stock markets were "experimental" had not contributed greatly to confidence but "suggested a lack of political commitment to the development of capital markets."

Mr Li Peng's remark, he added, did not augur well for the innovative development of the markets, and the introduction of such instruments as warrants, indexed futures and other derivatives.

Investors were likely to continue to be skittish for the time being as evidenced by the lukewarm reception given to recent listings such as Huashin Cement which tumbled 18.5 per cent at issue in spite of a price earnings multiple of seven.

Mr Graham drew three broad categories of investors in China's B-share markets at this stage: the China funds which are locked in to the market; the emerging market funds, which have a wide choice; and possihlely a third who might be tempted to take a contrary position with the B-share market having fallen so low.

Shanghai analysts, while they might differ on likely trends next year, would agree that artificial attempts by the authorities to boost the market, as happened late last summer, will be treated much more warily next time.

Beijing , panicked by the market's free fall, introduced emergency measures in August, freezing new listings, indicating that the A-share market would be open to foreign investors through joint venture funds, and making funds available to securities companies for share purchases.The A-share market rose to a high for the year of 1092.85 on September 13 before it quickly subsided to a trading range between 600-700.

Market regulators should have learned by now that there are no "quick fixes".

ASIA PACIFIC

Nikkei finishes lower after profit-taking

Tokyo

The Nikkei index, which started the week higher on arbitrage buying, encountered profit-taking selling yesterday and finished marginally lower, *writes Emiko Terazono in Tokyo.*

The 225-issue average, which rose 93.22 to 19,726.75 on Monday, gave up 15.39 to 19,711.36 after moving between a narrow range of 19,801.30 and 19,628.41. Unwinding of long arbitrage positions and profit-taking countered buying by domestic institutional investors, while individual investors dabbled in speculative favourites.

Volume totalled 285m shares against 291m. Although overseas investors picked up shipbuilders and laggard stocks on Monday, most foreigners were absent from trading yesterday. Dealers dominated the day's activity on the last trading day for December settlement.

The Topix index of all first section stocks, which advanced 11.21 to 1,556.23 the previous day, sank 1.18 to 1,555.05. The capital weighted Nikkei 300 lost 0.22 to 285.92 after adding 1.44 to 286.14 on Monday. Gainers led losers yesterday by 535 to 435 with 214 issues remaining unchanged, while on Monday advances led declines by 843 to 210 with 155 unchanged issues.

Traders said that while investor confidence was generally positive, profit-taking selling could prevent the Nikkei index from rising above the 20,000 level this year.

Sakai Ovex, a synthetic textile maker, jumped Y15 to Y735. The issue was the most active stock of the day, on trading by speculators.

Individual investors also bought Keisei Electric Railway, which rose Y46 to Y820 and Suzutan, a retailer, which added Y70 to Y1,160.

Brokers, which advanced on index-linked buying Monday, lost ground. Nomura Securities fell Y30 to Y2,070 and Daiwa Securities declined Y10 to Y1,440. Banking stocks were also lower, with Bank of Tokyo down Y20 to Y1,520 and Sumitomo Bank retreating Y20 to Y1,880.

In Osaka, the OSE average, which rose 184.22 to 21,512.08 on Monday, added another 115.24 to 21,627.32 in spite of the weakness in Tokyo. Volume totalled 66.9m shares against 70.4m.

Roundup

Many investors extended their Christmas holidays, making for quiet conditions in much of the region. Additionally, Hong Kong, Sydney, Wellington and Bombay were closed.

TAIPEI reversed early gains to end lower, but the plastics sector gained ground on bargain hunting. The weighted index lost 11.20 at 6,982.91. Turnover was T$117.6bn against T$72.43bn during Saturday's shortened session.

Early buying was noticed in textile stocks following recent buying by domestic mutual funds, but profit-taking soon took the shine off. Fubon and Yuan Ta Duo Yuan both rose by the daily permitted 7 per cent limit to T$15.8 and T$17.1 respectively.

KUALA LUMPUR edged lower in thin volume with the market consolidating after its run-up last week. The composite index, which rose 42 points last week, gave up 1.33 to 987.54.

Brokers said, however, that they did not expect much activity until after the new year holidays as most fund managers had already closed their books for the year.

MBF Capital led activity with 6.3m shares traded, rising to a high of M$2.82 on a buy recommendation by Japan's Yamaichi Securities before closing unchanged at M$2.75.

Among the utilities stocks, which had seen a recent surge on institutional buying, Tenaga Nasional and Telekom Malaysia each fell 10 cents to M$10.50 and M$17.90 respectively.

BANGKOK saw late buying of communications and finance stocks push the SET index up 7.06 to the day's high of 1,359.86, after an earlier fall of more than 9 points. Turnover was moderate at Bt4.48bn.

A gain by TelecomAsia in the afternoon from a morning low of Bt65 boosted sentiment, the stock rising Bt1.50 at Bt70.

The finance sector was also strong, being the most active sector, gaining 0.6 per cent on turnover of Bt688.9m.

SEOUL closed flat after a late spurt of institutional bargain-hunting wiped out early losses from profit-taking by speculative investors in smaller-capitalisation shares ahead of the end of the year.

The composite stock index added 0.73 to 1,025.33, of a low of 1,018.21. In spite of the index rise, losers led gainers by 556 to 329 and 175 went limit down, with worries about a liquidity squeeze continuing to cast a gloom over the market.

SINGAPORE's Straits Times Industrials index closed higher but brokers warned that the low volume of trading had exaggerated the advance. The index picked up 7.96 to 2,227.25, off its intraday high of 2,234.68.

JAKARTA rose modestly supported by buy-backs on second-line shares.

The JSE index inched up 0.115 to 466.307. Advancing issues overshadowed declines by 42 to 23, with 27 issues unchanged and 125 shares untraded. Volume was estimated at 5.92m shares worth Rp11.81bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 23 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY DECEMBER 22 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	172.59	0.3	165.43	109.32	141.62	147.70	0.1	3.90	172.04	165.08	109.29	141.36	147.49	189.15	158.27	158.27
Austria (16)	178.45	0.1	171.04	113.03	146.43	146.17	-0.1	1.11	178.20	170.99	113.20	146.42	146.34	198.89	167.48	184.60
Belgium (35)	166.86	0.6	159.93	105.69	136.91	133.28	0.4	4.14	165.83	159.11	105.34	136.26	132.80	177.04	160.76	164.61
Brazil (28)	160.22	3.5	153.57	101.49	131.47	251.57	2.8	0.82	154.79	148.53	98.33	127.19	244.75	-	-	-
Canada (103)	129.33	0.1	123.96	81.92	106.12	131.04	0.3	2.63	129.17	123.94	82.05	106.13	130.66	145.31	120.64	133.66
Denmark (33)	244.27	0.6	234.13	154.72	200.43	205.66	0.5	1.45	242.74	232.92	154.20	199.46	204.61	275.79	236.61	246.02
Finland (24)	180.54	1.9	173.05	114.36	148.14	181.04	1.1	0.77	177.26	170.08	112.60	145.65	179.09	201.41	123.20	125.58
France (102)	164.43	0.2	157.61	104.16	134.92	140.60	0.0	3.05	164.16	157.52	104.28	134.89	140.65	186.37	159.34	177.53
Germany (58)	139.86	-0.2	134.06	88.59	114.76	114.76	-0.3	1.81	140.14	134.47	89.02	115.16	115.15	150.40	128.37	141.43
Hong Kong (56)	330.11	-1.3	316.41	209.09	270.87	327.94	-1.3	3.78	334.39	320.86	212.42	274.77	332.16	508.56	305.99	447.25
Ireland (14)	202.40	0.6	194.00	128.20	166.08	187.23	0.5	3.41	201.30	193.15	127.88	165.41	186.24	216.60	177.56	184.47
Italy (59)	74.09	1.4	71.02	46.93	60.80	90.76	1.2	1.74	73.10	70.14	46.44	60.07	89.70	97.78	65.87	70.14
Japan (468)	155.16	0.3	148.72	98.28	127.32	98.28	0.0	0.78	154.71	148.45	98.28	127.13	98.28	170.10	127.18	132.32
Malaysia (97)	485.15	-0.1	465.01	307.30	398.09	478.85	-0.1	1.78	485.42	465.78	308.36	398.87	479.25	621.63	430.71	550.92
Mexico (18)	1458.76	2.3	1398.20	923.98	1196.96	7456.30	1.8	1.37	1426.04	1368.32	905.88	1171.74	7328.02	2647.08	1426.04	2306.63
Netherland (19)	212.56	-0.2	203.73	134.63	174.41	171.30	-0.3	3.37	212.92	204.30	135.26	174.96	171.80	223.30	191.28	202.03
New Zealand (14)	71.22	0.6	68.26	45.11	58.44	58.86	0.3	4.98	70.82	67.95	44.99	58.19	58.67	77.59	62.05	63.96
Norway (23)	207.69	0.6	199.07	131.55	170.42	194.09	0.5	1.70	206.46	198.10	131.15	169.64	193.17	211.74	177.63	178.64
Singapore (44)	374.99	-0.2	359.42	237.52	307.70	252.81	-0.3	1.70	375.65	360.64	238.76	308.84	253.60	401.39	294.68	361.26
South Africa (59)	333.57	0.7	319.72	211.29	273.71	296.37	0.0	2.22	331.17	317.77	210.37	272.12	296.41	342.00	205.55	244.66
Spain (36)	134.34	0.9	128.76	85.09	110.23	136.53	0.7	4.21	133.12	127.73	84.56	109.38	134.84	155.79	132.91	143.31
Sweden (38)	229.65	-0.1	220.12	145.46	188.44	254.74	-0.1	1.57	229.79	220.49	145.97	188.82	255.03	242.81	194.59	196.20
Switzerland (47)	163.11	0.1	156.34	103.32	133.84	134.75	0.1	1.81	162.97	156.37	103.52	133.91	134.66	176.56	149.61	165.86
Thailand (46)	158.32	-0.6	151.75	100.29	129.91	154.36	-0.6	2.40	159.34	152.89	101.22	130.93	155.28	-	-	-
United Kingdom (204)	193.60	-0.1	185.57	122.63	158.86	185.57	-0.2	4.16	193.84	186.00	123.14	159.28	186.00	214.96	181.11	206.94
USA (514)	188.14	0.1	180.33	119.17	154.37	188.14	0.1	2.95	188.03	180.42	119.45	154.50	188.03	196.04	178.95	190.22
Americas (663)	174.56	0.1	167.31	110.57	143.23	146.06	0.1	2.88	174.32	167.27	110.74	143.24	145.85	-	-	-
Europe (706)	167.38	0.1	160.44	106.02	137.35	151.45	0.0	3.09	167.22	160.45	106.22	137.40	151.51	178.58	160.59	171.71
Nordic (116)	220.71	0.5	211.56	139.80	181.10	209.21	0.2	1.41	219.70	210.80	139.56	180.52	208.68	233.91	189.22	189.91
Pacific Basin (793)	162.95	0.2	156.19	103.21	133.71	107.45	-0.1	1.16	162.65	156.07	103.32	133.65	107.52	178.86	141.04	145.19
Euro-Pacific (1501)	164.70	0.1	157.86	104.32	135.14	124.85	-0.1	1.99	164.46	157.80	104.47	135.13	124.92	175.14	153.85	155.08
North America (617)	184.49	0.1	176.83	116.86	151.38	184.20	0.1	2.93	184.38	176.92	117.13	151.50	184.08	192.73	175.67	186.71
Europe Ex. UK (504)	149.68	0.2	143.46	94.81	122.82	131.17	0.1	2.47	149.35	143.29	94.86	122.70	131.08	158.12	144.12	149.61
Pacific Ex. Japan (325)	240.37	-0.4	230.40	152.25	197.24	210.45	-0.4	3.16	241.27	231.51	153.27	198.26	211.38	288.21	224.17	267.66
World Ex. US (1709)	165.93	0.2	159.04	105.10	136.15	128.39	0.0	2.00	165.59	158.89	105.19	136.06	128.41	176.65	155.88	157.82
World Ex. UK (2019)	170.19	0.2	163.13	107.80	139.65	142.91	0.0	2.14	169.88	163.01	107.92	139.59	142.85	178.59	162.93	163.89
World Ex. Japan (1755)	183.29	0.1	175.68	116.10	150.39	175.31	0.0	2.97	183.11	175.70	116.32	150.46	175.27	195.20	176.34	187.74
The World Index (2223)	172.26	0.1	165.11	109.11	141.35	146.76	0.0	2.33	172.00	165.04	109.26	141.33	146.74	180.60	166.19	167.64

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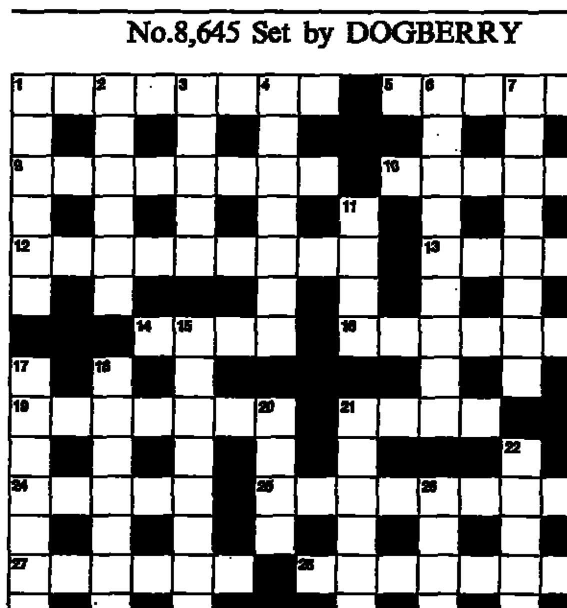
Constituent change with effect 28/12/94: Deletion: Gordon (USA). Latest prices unavailable for this edition. Market closed 23/12/94: Japan.

JOTTER PAD

CROSSWORD

No.8,645 Set by DOGBERRY



ACROSS

1 Cautious about northern church court (8)
5 Horrified commanders receiving hot tip, initially (6)
9 Go another forty days without smacking? (8)
10 A sweetheart many embraced in the nook (6)
12 Girl holding toff at scene of disaster (9)
13 Jump at advantage (5)
14 Wild festivity causing operatic hero to lose his head (4)
16 Make allowance before admitting poet (7)
19 Motorists among motorists stifled by gas in Venezuela (7)
21 Gather round and fornicate (4)
24 Australia has a barrier that's at risk (5)
25 Places of study where signs overlap (9)
27 Cypriot not unknown to redraw line on map (6)
28 Retinues get hungry (8)
29 Angel-fish eats monarch (6)
30 Alert because respect repelled sailors (8)

DOWN

1 Copper, mildly salacious, with care of souls (6)
2 Article prepared to attack prince (6)
3 Incomplete settlement coming to stop (5)
4 Prostitute changing name by rote (4-3)
6 Having gone all the way in affliction (4-5)
7 Order one into lorry with a whiff (8)
8 Ten years' worth of bonds left in (8)
11 Escape by mistake (4)
15 Full-flavoured priest attains union with cardinal (9)
17 Model in Corsica foxed by puzzle (8)
18 Old English corset provides protective cover (8)
20 Sailor's season (4)
21 Graduate's into Mexican food with hot sauce (7)
22 Where one may be netertained with a mince pie (6)
23 Not about to pursue remains of choreographer (6)
26 Period in which soldiers harmonise (5)

Solution 8,634

Winners 8,634
M.F. Cartwright, Liss, Hants
Paul Adams, London SE1
R.G. Burrows, Old Hunstanton, Norfolk
P.R. Harris, Sydling-St-Nicholas, Dorchester
D. Johns, Loughborough
T.G.S. Maxwell, Upper Wraxall, Wilts

Solution to the Christmas crossword on Saturday January 7. Prize puzzles next Saturday and Monday.

مكرر من الاصل